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Φ D 8523A

FOREIGN AFFAIRS
Marshall and Monnet, where are you?
Page 21

World News

Albanian ministers sacked in reform moves

The Albanian authorities, anxious to contain growing instability as thousands of would-be asylum seekers prepare to leave the country, announced sweeping government changes to speed up economic and political reforms.

The official news agency said the ministers of light industry, food industry, public services and internal trade had all been replaced. Page 22

Indian crackdown

The Indian Government abandoned attempts to restore the democratic process in the northern state of Jammu and Kashmir, giving draconian powers to the army and security forces to deal with the Moslem insurgency. Page 6

Hostage deal talks

Pro-Syrian security sources said Lebanese kidnappers had contacted the Syrian army command in West Beirut to arrange the release of a European hostage, believed to be Irishman Brian Keenan.

Blast arrests

South African police arrested nine right-wing whites and seized explosives in connection with a series of bomb blasts in Johannesburg.

Nicaraguan clashes

Street fighting broke out in Managua between supporters of Nicaraguan President Violeta Chamorro and striking pro-Sandinista workers, killing at least one man and wounding 12 other people.

Recession deepens

The UN said that the recession into which the east European and Soviet economies plunged in the final months of 1989 deepened in the first quarter of 1990. Page 2

Israel closes paper

An Israeli-Arab newspaper editor accused the Israeli Government of impeding freedom of expression after the Interior Ministry closed his newspaper for three months on the grounds that it had incited violence against the Jewish state.

Former leader jailed

The former Czechoslovak Communist Party chief of Prague, Miroslav Stepan, was sentenced to four years in prison for his role in suppressing anti-regime demonstrations.

German nationalism

The celebrations that greeted West Germany's third World Cup victory demonstrated the rediscovery by young Germans of a sense of national pride. Page 3

Shamir passes test

Prime Minister Yitzhak Shamir's month-old Israeli Government passed its first survival test by defeating parliamentary no-confidence motions in a 60-51 vote.

Zambian detentions

Zambian police were reported to have detained three businessmen and an army officer in connection with last month's abortive coup attempt.

Contact with rebels

The US said it had had contacts with Liberian rebels amid reports of intense efforts to negotiate a peaceful exit for President Samuel Doe. Earlier report, Page 4

Cubans in embassy

Five Cubans entered the Czechoslovak embassy in Havana and asked for protection.

Drivers demand less

East Berlin taxi-drivers went on strike and demonstrated outside the city hall demanding lower fares. Since the two Germanys merged their economies, fares in East Berlin have more than doubled, to match West Berlin rates, and passengers who used to wait hours for a cab now shun them.

Business Summary

Iraq 'tried to use BNL funds to form new trade bank'

FORMER BNL Atlanta executive Paul von Wedel said Iraqi Government officials and US-based executives of Italy's Banca Nazionale del Lavoro (BNL) tried to use money borrowed by Iraq from BNL's Atlanta branch to form a trade bank that would finance the shipment of militarily useful technology and material to Baghdad. Page 22

MARKETS: Tokyo – the Nikkei average ended at 32,538.28, up 93.16, after a high of 32,608.71 and a low of 32,417.96. Frankfurt – the FAZ index ended 2.01 higher at 816.23 in midsession, but was replaced by a final 8.94 fall to 1,923.86 in the DAX.
Back Page Section II

SPICER & Oppenheim, the UK's ninth largest accountancy firm, is believed to be on the verge of agreeing a merger with Touche Ross, currently the sixth largest UK firm. Page 22

LEGAL and General, UK's second biggest life insurer, announced the sale of its reinsurance subsidiary Victory Reinsurance, to the Amsterdam-based Netherlands Reinsurance Group. Page 23

ASEA Brown Boveri, Europe's biggest electrical engineering group, calculates that it can generate annual sales of around $1.2bn in East Germany by the middle of the 1990s. Page 23

JOHN MENZIES, Edinburgh-based retail and wholesale group, has written off $26.85m in its 1989-90 accounts for the restructuring of its Early Learning Centres in the US. Page 23

MITSUBISHI Oil, Japanese refining group, and its Mitsubishi Petroleum Development affiliate announced the acquisition of Merlin Petroleum, a US exploration and development company, for $75m. Page 26

EVERGO International Holdings, Hong Kong investment, property and manufacturing group controlled by the brothers Mr Thomas and Mr Joseph Lau, faced the prospect of a hostile bid from Taiwanese investors. Page 24

SANWA Bank, the fourth largest Japanese bank, is to establish a leasing company in London. Page 28

EUROPEAN Commission is imposing a provisional anti-dumping duty of 24.6 per cent on Chinese imports of woven silk material for use in making typewriter ribbons. Page 5

GANNETT, largest US newspaper and media concern, has said its second quarter net profits are likely to decline, marking the first quarterly drop in earnings since the company went public in 1967. Page 25

OECD, Organisation for Economic Co-operation and Development, said the decline in export credit activity that started with the debt crisis of 1982 appears to have come to an end. Page 5

PHILADELPHIA Stock Exchange is set to establish the longest trading day for any exchange in the world when it extends its trading day to 20¼ hours on September 16. Page 28

AUTOMOBILES Peugeot published an increase in production for the first half of this year and announced that it was in talks on possible production in the Soviet Union. Page 24

VALEO, French motor parts maker, announced a $63m investment in nine new factories and research centres for this year and next, injecting a fresh optimism into the uncertainty overhanging the European automotive industry. Page 24

Summit nations united on need for aid to Moscow

By Peter Riddell and Peter Norman in Houston

- G7 urged to back farm trade reform
- Soviet call for western loans
- Kaifu seeks change of attitude to Peking
- Real country welcome
- US, Canada plan clean-air talks PAGE 6

LEADERS of the world's biggest industrialised democracies were yesterday preparing at their annual summit to offer a positive response to Soviet President Mikhail Gorbachev's request for aid, although sharp division remained over farm trade.

Officials in Houston preparing the draft communiqué said the leaders would agree to set up a formal procedure to assess Soviet needs and the co-ordination of such assistance, possibly involving a mission to Moscow.

Mr John Sununu, the White House Chief of Staff, said the International Monetary Fund and the World Bank might be the basis for this "technical evaluation process."

In contrast to the harmony over Soviet aid, there are no signs of agreement yet over the contentious issues of agricultural trade and the setting of targets for reducing environmentally damaging emissions in the air.

The Sherpas or personal representatives of the summit leaders, failed to make any progress on these two areas at a long drafting session on Sunday evening.

US President George Bush, who yesterday greeted the leaders of Japan, West Germany, Britain, France, Italy, Canada and the European Commission in the sweltering heat of a Houston summer, said the aim of the summit was to create "a world where peace endures and where commerce has conscience."

Mr Bush has taken personal charge of the Soviet aid issue. He is determined to avoid an open split within the western alliance between the US, Japan and Britain, which are opposed to immediate open-ended direct aid until market-oriented reforms are in place in the Soviet Union, and the French and Germans who want to provide such financial support now.

Instead, the draft communiqué talks of a "complementary" approach in which each country provides aid in its own individual way, recognising West Germany's special position and priority.

Mr Sununu yesterday hinted at a more co-ordinated approach to the provision of technical assistance, with the US acting "in partnership" with other Group of Seven countries. US officials have been emphasising the existing and planned provision of technical advice on the creation of a banking structure, an effective transport system and a less wasteful grain and food storage and distribution framework. At present, very large amounts of such supplies are lost in the Soviet Union.

The draft notes favourably the European Community's recent decision to send a mission to Moscow next week led by Mr Jacques Delors, the president of the Commission.

This will report back not only to the EC but also to the Group of 24 industrialised countries including the US, Japan and Canada, which are already providing assistance to eastern Europe.

Both the EC and the US were yesterday repeating their long-established positions on agriculture – the key to achieving a breakthrough in the multilateral Uruguay round oftrade negotiations.

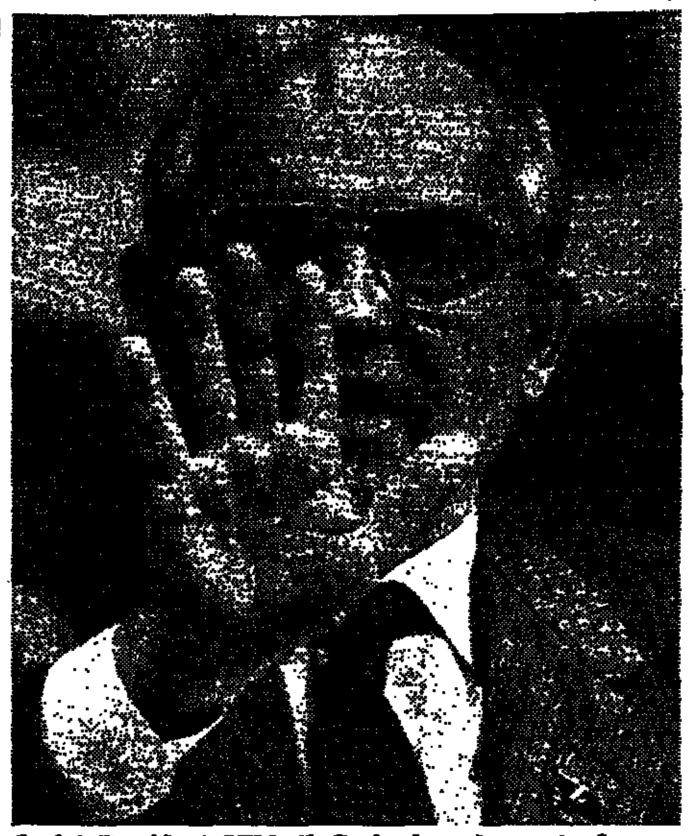
On the environment, Chancellor Helmut Kohl of West Germany, who only arrived yesterday morning after watching his country's soccer victory in the World Cup, has written to President Bush urging the summit to endorse radical measures and targets to limit carbon dioxide emissions.

As the summit opened, Soviet officials yesterday agreed large-scale western loans were urgently needed to stabilise the Soviet economy, but rejected in advance any attempt to attach political conditions to them.

Dr Leonid Abalkin, Deputy Prime Minister in charge of economic reform, agreed "economic conditions" could be negotiated with potential creditors.

Loans were needed urgently to "stabilise conditions" in the country, above all on the consumer market, to restore Soviet citizens' confidence in the Government's plans to introduce a market economy.

He was backed by Mr Eduard Shevardnadze, Soviet Foreign Minister, and Professor Nikolai Petrakov, economic adviser to President Gorbachev. "Economic aid, or rather, economic co-operation, the supply of credits, without question helps perestroika, democratisation and the humanisation of our society," Mr Shevardnadze said.



Soviet President Mikhail Gorbachev: hopes to force a reformist majority into the Communist Party leadership

Gorbachev wins battle to reform party structure

By Quentin Peel and Leyla Boulton in Moscow

THE SOVIET Communist Party congress yesterday voted to change its leadership structure in a clear victory for President Mikhail Gorbachev's reform plans.

Delegates voted by a large margin to bring the party chiefs from the 15 republics into an expanded politburo. The move means that the likely conservative Russian nominees to the party leadership will be balanced by non-Russians, some of whom are much closer to the reformist policies of the Soviet leader.

Mr Gorbachev also persuaded the conservative-dominated party congress to accept new rules requiring the direct election of the party leader and his deputy. This will in effect protect them from an inner party coup by the central committee, similar to the one which overthrew Mr Nikita Khrushchev in 1964.

The crucial changes in the party rules were bounced through the largely uncomprehending congress – aggressive in its talk, but still docile in behaviour – in a matter of hours yesterday afternoon, clearing the way for new leadership elections over the next three days.

The changes mean that the real political battle will move to the election not of the new general secretary – for no one dares to oppose Mr Gorbachev – but for his deputy, and for the membership of the new central committee.

Several leading conservative candidates have been mooted for the deputy leadership, with Mr Yegor Ligachev, the main conservative in the present politburo, and Mr Gennady Yanayev, leader of the official trade unions, both contenders.

Yesterday's coup by Mr Gorbachev, looking tired but confident in his handling of the unwieldy congress, came as personal relations between the left and right wings of the party deteriorated further.

The party leader's closest reformist adviser, Mr Alexander Yakovlev, was forced to take the stand to accuse unknown opponents of a smear campaign, suggesting that he was openly advocating a party split, and attacking his colleague Mr Ligachev.

Mr Yakovlev, who has already announced plans to

Continued on Page 22
KGB chief hits back Page 22

Moi flies home as violence spreads

By Julian Ozanne in Nairobi

VIOLENCE and unrest spread across Kenya yesterday as riot police fought running battles in Nairobi with stone-throwing mobs, forcing Kenyan President Daniel arap Moi to fly back from an Organisation of African Unity meeting in Addis Ababa.

Riot police armed with batons, G3 automatic rifles and teargas fought running battles in the capital with rioters. Violence spread to other parts of the country on the third day of unrest, which began as a demonstration for multi-party democracy, and which now poses a serious challenge to Mr Moi's authority.

Scores of arrests were made, dozens of people were reported seriously injured with gunshot wounds, and the death toll rose to at least nine, including a seven-year-old schoolboy shot dead by police yesterday at Ndenderu, 10 miles north of Nairobi. Eight empty cartridges were found around his body which was left on the road for several hours.

Throughout the day increasingly tense and nervous police and members of the paramilitary General Service Unit fought an uphill struggle to restore law and order in Nairobi's shanty towns.

The Government lashed out at the US after its embassy in Nairobi officially announced it was sheltering Mr Gibson Kamau Kuria, a leading government critic and prominent human rights lawyer who has been in hiding from security police for several days.

Accusing the US of interfering in Kenya's internal politics, a government statement read out over the radio said: "The embassy has openly given solace and support to elements within the country bent on destabilising the constitutionally elected Government of Kenya."

Mr Kuria was one of the last remaining leaders of the campaign for a multi-party democracy not to have been detained last week in advance of a rally called for last Saturday to demonstrate popular support for the movement. At least 6,000 people attended the rally which turned into a riot.

Nairobi was tense last night as gangs of barefoot youths in ragged clothes mounted makeshift roadblocks on the outskirts of the capital and continued stoning vehicles and setting fire to buses and government cars in many of the slum areas of the city.

For the first day, yesterday, rioting spread outside Nairobi to Nakuru, Murang'a, Nyeri, Kikuyu, Kiambu and Kiharu, the former constituency of Mr Matiba. Several shops were reported looted and destroyed and police fired into crowds of demonstrators calling for a multi-party democracy.

Violent clashes began early in the morning in the Nairobu suburbs of Kangemi, Kwangare, and Dandora. Youths chanting "Down with Moi," "two parties" and "Free Matiba," (a reference to Mr Kenneth Matiba, the de facto opposition leader who was detained last week) stoned buses and burnt down buildings belonging to the ruling party, Kanu.

Drivers of cars who refused to flash a two-finger salute, the sign of support for a multi-party system, were intimidated and stoned by gangs.

Riot police, who have exercised considerable restraint over the past few days, appeared to be becoming dangerously tense and violent, beating up innocent bystanders and shooting off volleys of automatic gunfire.

News of the renewed violence panicked the residents of Nairobi. Most of the downtown shops and businesses closed early and several western embassies advised their nationals to stay at home.

"The threat now is of a gathering slide into anarchy," said one western diplomat.

Cut in UK interest rates ruled out as sterling nears DM3 level

By Rachel Johnson in London and Peter Norman in Houston

THE UK monetary authorities allowed sterling to rise on the foreign exchanges yesterday to brush up against the DM3 barrier.

Mr John Major, the Chancellor, speaking in Texas where he was attending the world economic summit, said that the rise was hardly an "unsustainable surge," and repeated that the Government had no plans to cut interest rates in its wake.

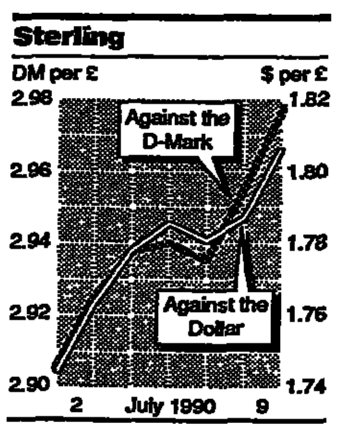
The barrier to reducing interest rates was the inflation rate, which was "significantly higher" than he would like.

He made clear at a press conference before the opening of the summit that UK entry into the exchange rate mechanism (ERM) of the European Monetary System (EMS) would not be imminent until UK inflation converged to the European average.

His comments did little to prevent sterling climbing rapidly to close more that 2 pfennigs up at DM2.9781 – the highest close for nine months.

The pound last broke through the DM3 level – the round number against which Mr Nigel Lawson, the ex-Chancellor, chose to peg sterling – in October last year, shortly before Mr Lawson resigned.

Sterling



Yesterday it also made strong gains against other currencies, which traders said were scarcely moving in a day dominated by sterling.

Against the dollar, the pound closed in New York up two cents at $1.809.

The Bank of England and the Treasury both welcomed sterling's rise without acknowledging that such a strong exchange rate could damage the company sector or the UK's export performance.

In Houston, the Chancellor said it was up to British companies to keep their wages down as part of the UK's counter-inflationary policy and denied that the strong pound would damage exports. Mr Neil Williams, the Confederation of British Industry's senior economist, said the strong pound was an "added strain to companies already struggling with high interest rates."

The authorities refused to speculate how much further sterling could rise, saying it set no targets. The pound had not anyway yet regained its 10 per cent fall since the beginning of last year, they said.

The Bank of England welcomed the stronger exchange rate as a more effective anti-inflationary weapon than the exchange rate. The current

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Israel faces breakdown in plan to absorb Soviet exodus

Israel is starting to run out of places in which to put the stream of Jews pouring in from the Soviet Union. Cabinet minister Ariel Sharon (left) has won approval to build 3,000 prefabricated homes. Page 4

MARKETS

STERLING
New York:
$1.80885 (1.7865)
London:
$1.8055 (1.7865)
DM2.9775 (2.955)
FFr9.9925 (9.92)
SFr2.5175 (2.5025)
Y272.75 (269.75)
£ index 93.9 (93.1)

GOLD
New York: Comex Aug
$359.9 (362.9)
London:
$358.25 (361.25)

N SEA OIL (Argus)
Brent 15-day
$15.6 (15.85)

Chief price changes yesterday: Page 23

DOLLAR
New York: close
DM1.6516 (1.6522)
FFr5.5395 (5.545)
SFr1.3955 (1.399)
Y151.15 (151.7)
London:
DM1.6495 (1.654)
FFr5.535 (5.5525)
SFr1.395 (1.4015)
Y151.05 (150.95)
$ index 65.9 (66.2)
Tokyo close: Y150.7

US closing rates
Fed Funds 8¼% (8 5/16)
3-mo Treasury Bills:
yield: 8.029% (8.002)
Long Bond:
102⅛ (102 13/32)
yield: 8.545% (8.5)

STOCK INDICES
FT-SE 100:
2,337.5 (−2.5)
FT Ordinary:
1,859.3 (−5.7)
FT-A All-Share:
1,152.34 (−0.2%)
New York close
DJ Ind. Av.
2,914.11 (+9.16)
S&P Comp
359.52 (+1.10)
Tokyo: Nikkei
32,538.28 (+93.16)

LONDON MONEY
3-mo Intbk closing:
14 15/32-14 23/32% (14 11/32)
Life long gilt future:
Sep 83¼ (83¾)

Big fall in E Europe's first-quarter output

By William Dullforce in Geneva

THE RECESSION into which the east European and Soviet economies fell in the final months of 1989 deepened in the first quarter of 1990, according to the United Nations Economic Commission for Europe (ECE).

The ECE secretariat reports a 13.4 per cent decline in industrial output in the six east European countries in the first quarter compared with the same period in 1989. Soviet output was down by 1.2 per cent.

Exports in the six countries fell by 14.2 per cent and imports by 5.8 per cent. Soviet first-quarter exports were down by 7 per cent but imports rose by 6 per cent, leading to a record $3.8bn trade deficit.

By mid-1990 it was clear that policies, such as that pursued in the Soviet Union, aimed at stabilising activity under old economic frameworks had failed, the ECE comments.

The ECE says that policies of austerity, such as those undertaken by Hungary and Poland with the support of the International Monetary Fund, have largely achieved their initial goals – but at the cost of a far deeper recession than expected, particularly in Poland.

The recession in eastern Europe and the Soviet Union has far from run its course, the ECE says. Referring to reports that international banks have curtailed their lending to the Soviet Union, Hungary and Bulgaria, it expects the access of all eastern countries to commercial credits will be constrained soon.

Since financing from the European Bank for Reconstruction and Development will not be available until next year, new credit lines, and IMF and World Bank facilities will be increasingly important.

In connection with the Soviet Union's first-quarter trade deficit, the ECE raises the question of why Soviet payments were delayed when it had some $15bn on deposit with banks reporting to the Bank for International Settlements at the end of 1989 and gold reserves estimated at over *more than $30bn.*

It considers it likely that the Soviet Union financed at least part of its first-quarter deficit by drawing on its BIS assets and points to reports that some of the gold stock has been used *as collateral to raise short-term* credits.

Unless other loans similar to the DM5bn ($3.03bn) government-guaranteed bank credits recently announced by West Germany are forthcoming from *other countries, the Soviet* authorities will be forced to reduce the growth rate in imports and possibly even the overall level, the ECE forecasts.

Further lending is being dis*cussed at the summit meeting* in Houston of the Group of Seven industrial countries.

Houston summit, Page 6

Polish industrial sales fall by 28.7%

POLAND'S industrial sales fell by 28.7 per cent in the first six months of the year compared with the same period last year, according to preliminary figures from the government-run Central Statistical Office, writes Christopher Bobinski in Warsaw.

The light industry and the food processing sector were the hardest hit under the Government's stabilisation programme, both recording falls in output of around 40 per cent. The metallurgical industry was the least affected, with an 18 per cent drop.

At the same time, though, exports to hard currency markets, at $4.7bn, have grown by 10.8 per cent and the hard currency surplus has reached an unprecedented $2.1bn, thanks to a 29.7 per cent slump in purchases.

The country's surplus in its Comecon trade in the first half of the year has also reached a record Rb2.5bn as imports have tumbled by 40 per cent; exports worth Rb5.5bn have fallen 2.6 per cent compared with the first half of 1989. Despite the deep cut in hard currency imports, purchases of investment goods in the first six months worth $387m were 10 per cent up on the previous year, while imports of raw materials saw a steep 38 per cent drop.

Nationalists fear ethnic troubles

ROMANIAN nationalists staged a protest in central Bucharest yesterday and warned of further ethnic trouble in Transylvania, home of most of the country's large Hungarian-speaking minority Reuter reports from Bucharest.

Leaders of Vatra Romanesca (Romanian Hearth), the right wing nationalist movement, told crowds of hundreds of people in squares throughout Bucharest that the National Salvation Front government should not bow to separatist demands. Three people died and more than 200 were injured when Romanians and ethnic Hungarians clashed in Tirgu Mures in Transylvania in March.

Czechoslovaks pay the price of reform

By John Lloyd

FOOD prices went up all over Czechoslovakia yesterday. No butter, sugar or meat was available in most parts of Prague, including Maj, the big supermarket on Narodni Street near Wenceslas Square, because heavy demand last week had wiped out all supplies.

All last week, the queues snaked along the streets – and this in a country which has been smug about the relative ease of its shopping and plenitude of its shelves. The battle to beat the rises was frantic and bad-tempered and many were losers.

Mr Franta Ruzicka, a journalist trying to stock up for the extended weekend holiday, could only get frozen vegetables, "which are *disgusting*".

Mrs Eva Bogrenova,)mother of four-month old twins, was determined to stock up on baby milk: the price of a 350gm packet was to go up from 10 koruna to 21 koruna (from about 25p to 50p, at the tourist exchange rate).

But she was deterred by the double pressure of long queues and squalling babies: "I said, to hell, I'll pay the higher prices and avoid the lines."

The rises are, inevitably, the first sign of economic reform for many Czechoslovaks. The prices of many basic food products rose by about a quarter, though other commodities, and rents, are still held down.

This is not the price explosion which Poland suffered a little less than a year ago, but it is enough the make the staid Czechoslovaks worried, and even a *little* upset.

"People are angry that babies' milk should go up by over 100 per cent," said Mrs Bogrenova – but added: "I must say, though, I've had to buy it in Austria and it was underpriced here."

Mrs Ivana Klabanova, a secretary with two children in their early teens, complained: "You can't get sugar anywhere: people were buying huge amounts, 50 kilos, these past weeks. And many people bought piles of meat."

The prices, when translated into western currencies, were generally very low and will still be low after the rises. But wages are low, *too*: an average salary might be some 3,500 koruna a month. And most Czechoslovaks know this *is* only the beginning.

Some prices have risen very sharply indeed: fruit juice, for example, up from 3.40 koruna a litre to 17. Other prices are marginally up: carp has gone from 32 to 36 koruna a kilo.

But many basics have nearly doubled. Bread has risen from 3.90 koruna to 6.60 for a 1.5kg loaf, high-grade beef up from 95 to 150 koruna, veal from 65 to 95.

Vegetables have stayed the same, though many are sold freely in markets, and this reflects supply and demand and the bartering talents of buyer and seller.

Political heat 'prevents' BA from talking to Interflug

By David Goodhart in Bonn

POLITICAL pressure in Bonn and East Berlin has prevented British Airways from negotiating the acquisition of a stake in Interflug, East Germany's state-owned airline, Mr Reinhold Wutzke, head of East Germany's Competition Office, claimed yesterday.

"The East German Transport Ministry prevented Interflug from negotiating with the British. Politicians in Bonn and East Berlin want one single national airline," Mr Wutzke told the magazine Der Spiegel.

Although concern to prevent foreign control of a "national" airline is certainly not confined to Germany, concern has been expressed in Brussels about takeovers in East Germany.

Last week Sir Leon Brittan, *the EC Competition Commis*sioner, wrote to the East German Government expressing concern at recent takeovers of East German companies by their West German counterparts.

The EC also said it intended to investigate the acquisition by Ruhrgas, West Germany's biggest gas company, of a 35 per cent stake in the East German gas network.

Mr Wutzke said he was get*ting a firmer grip on* the pan-German monopoly problem. He said he had written to East Germany's 200 biggest companies asking for early information about planned mergers and also claimed to have pre*vented anti-competitive all-Ger*man takeovers in the sugar and cement industries.

BA declined to comment yesterday on the Interflug report. A BA official said it was the airline's "long standing policy not to comment on any rumour or speculation regarding acquisitions and investments." How*ever, BA has* been actively seeking international partnerships as part of its overall global airline policy and has been negotiating airline related ventures in the Soviet Union and elsewhere in Eastern Europe.

For its part, Lufthansa said yesterday that it knew nothing of a BA interest in Interflug. A spokesman did, however, confirm that Lufthansa has taken a 26 per cent in the airline, and *that it is planned that* the future government of a united Germany will hold 51 per cent, with 23 per cent remaining in East German hands.

The West German Government currently owns 51 per cent of Lufthansa.

Der Spiegel claims that Mr Heinz Ruhnau, head of Lufthansa, made it clear to Mr Andreas Kramer, the new young head of Interflug, that talks with BA and Pan Am *must be stopped.* Pan Am has a major German-based airline operation. The financially troubled US airline has indicated it would either be prepared to sell its German operations or forge a partnership with a *European group.*

However, Mr Ruhnau indicated that there were no plans to merge Interflug with Lufthansa. "We want Interflug to exist as an independent modern little company in Germany," he was quoted saying.

But Lufthansa is said to be anxious to ensure that Interflug does not *start to compete*, as it had planned, on west European routes *but* sticks to its east European and Soviet connections. The two airlines now have 31 weekly flights between East and West Germany.

The Lufthansa chairman also disclosed that Interflug will completely replace its fleet of ageing Soviet aircraft around the beginning of next year keeping its existing Airbus aircraft.

There have been reports that Lufthansa has plans to lease to Interflug some of its older Boeing 737 twin-engine aircraft which the West German carrier is beginning to replace this year with newer aircraft.

Lufthansa last week signed a contract *for* 20 Airbus A321 twin engine narrow body airliners and took options on 20 more. The A321, a stretched version of the A320, will be the first Airbus aircraft to be assembled at a new final assembly line at Hamburg after a long political battle between the four Airbus partners.

UK condemns EC beaches report

By Tim Dickson in Brussels

A DAMNING report on the quality of Europe's beaches was itself condemned yesterday for containing information which is out of date.

The glossy review of bathing water published by the European Commission – under the terms of a directive agreed in the mid-1970s – is a popular Brussels tradition at this time of year.

*The review is timed for max*imum publicity as the holiday season gets under way.

It awards bouquets (the famous EC blue flag) and brickbats (or black marks) to hundreds of "designated" beaches across the Community.

Its findings, however, were immediately challenged by the British Government because it only contains data compiled in 1988.

"I have to say we are baffled," said a British spokesman last night.

"About 70 beaches in today's report had reached at least the required standard by last year.

"We understand that other countries have not yet provided 1989 figures but we can't understand why British beaches should be stuck with a bad name that they do not deserve," the spokesman said.

An EC spokesman defended the decision to publish the report in its current form, *pointing out that Brussels* is only carrying out its obligations under the Treaty of Rome, and that Commission staff are dependent for reliable information on experts in the member states.

Privately, though, some officials admit that "blacking" resorts on the basis of 1988 findings is unfair.

The 1976 directive on bathing water – which contains almost 20 "parameters" – gave member states 10 years to bring their beaches up to the required standard.

Mr Carlo Ripa di Meana, the EC environment commissioner, said yesterday that there had generally been "a significant improvement" since the legislation came into effect but he added that there were still a large number of beaches "where clean-up measures are needed".

On the basis of 1987 and 1988 results Brussels has started legal proceedings in *the European Court of Justice* against 11 of the 12 member states.

Portugal has been given until 1992 to meet the relevant norms.

● John Hunt, Environment *Correspondent, adds:* Mr David Trippier, British Minister of State for the Environment, said the latest information on local bathing water quality would be posted at all British beaches.

He has asked Mr Ripa di Meana to adopt similar measures throughout the Community.

World Cup win brings Germans even closer together

THE CELEBRATIONS that greeted West Germany's third World Cup victory have proved, if proof were still needed, that young Germans have rediscovered a normal sense of national pride, writes David Goodhart in Bonn.

When Germany won the World Cup in Switzerland in 1954 the still-shattered country could only just muster a "we are somebody again" feeling. The 1974 victory, although it was in Munich, brought few flags out on to the streets, and, during the pre-final formalities, most German players were more interested in chewing gum than singing the national hymn.

How different it was on Sunday. Most of the players actually made an effort to sing the national hymn, and one was even quoted as saying he was singing for German unity.

And after the deserved, if rather desperate, German victory, the normally diplomatic national manager, Franz Beckenbauer, said: "[After unity] the choice [of players] will become even bigger, and nobody will be able to beat us for years. I'm sorry for the rest of the world, but that's the truth."

As he spoke these words hundreds of thousands of young Germans, from west and east, were on the streets of all big towns draped in the black, red and yellow flag, singing football chants or simply "Deutschland, Deutschland". Tens of thousands more followed the Italian example, jumping into their cars and hooting their way round town.

After similar, although lower-key, celebrations following the semi-final victory over England, a Bonn teacher said: "This is quite new, there was nothing like this even when we reached the final in 1966." In Bonn, after the semi-final, there was at least sufficient tolerance to accommodate with good humour a small counter-demonstration by disappointed England supporters.

After Sunday's victory national feeling did, however, tip over into aggression in a few places. There were pockets of violence in several cities, particularly Hamburg and Berlin – where the western side of the city emphasised its hegemony by drawing most of the action to the Ku'Damm, the main thoroughfare.

An 18-year-old was decapitated after he stuck his head out of a tram window in Cologne, and three more people died in car accidents. Some shops were plundered and there was a prison riot in Leipzig.

Oddly enough, it remains unclear whether a united Germany will be able to field one team in the European Championships in Sweden in 1992. The final date for entering or withdrawing teams has passed and the two Germanys have been selected for the same qualifying group. But after Sunday's victory it becomes harder than ever to believe that with one economic and political unit, and one Olympic team, the Germans will put up with two football teams.

Pressure grows in France for defence cuts

By Ian Davidson in Paris

PRESSURE IS growing in France for early defence cuts, not only because of an increasingly rigorous budget squeeze, but also as a surprise consequence of last week's Nato summit.

The budget squeeze will almost certainly mean a significant reduction in armed forces personnel, and may well bite into weapons programmes.

President François Mitterrand, speaking at the Nato summit in London, also suddenly placed on the table the question of a withdrawal of all France's forces from West Germany.

"Logic will require," he said, "that the French army should return home, as soon as the role of the Four Powers [in Germany] have ended, first politically and diplomatically, second militarily."

The budgetary squeeze has intensified as a result of the the Socialist Government's determination to reduce the budget deficit by FFr10bn (£1bn) each year. That target remains immutable again this year, as part of the Government's hard franc policy. With the end of the cold war and the hope of a far-reaching conventional disarmament agreement in Vienna, the the defence budget is being pared back compared with priority areas like education and research.

Last year the Government slowed the rate of growth of the defence equipment programme for 1990-1993 from FFr470bn to FFr428bn. But by dint of stretching and delaying its procurement programmes, the Defence Ministry has managed to avoid cancellation of any important weapons system.

Mr Michel Rocard, the Prime Minister, is expected to decided soon between the FFr7bn cut demanded this year by the Finance Ministry, and the FFr109bn equipment budget sought by the Defence Ministry.

Mr Jean-Pierre Chevènement, the Defence Minister, has tentatively proposed cutting armed forces numbers by 35,000, or 6.5 per cent, over the next four years; but he is already protesting in public that any further lowering of the equipment budget would damage the procurement programme.

E Germans shun local staple foods

By Leslie Colitt in East Berlin

EAST GERMAN shoppers, angered by shortages and exorbitant food prices, are rejecting an imperfect new market economy and taking their D-Marks to lower-priced competitors in the west.

In a classic consumer protest, citizens are shunning locally sold bread, milk, potatoes and other staple foods which are often more than 50 per cent more expensive than in the west. Most of the expensive goods, moreover, come from West Germany.

Many East German shoppers are driving hundreds of miles to buy food and other goods across the border. Yesterday they stormed low-priced west Berlin supermarkets and left behind bare bread shelves less than an hour after opening. A 1lb loaf of sliced bread typically costs DM2.40 in East Berlin and 99 pfennigs at the popular Aldi discount food chain in West Germany. Aldi said it would soon open outlets throughout East Germany.

The East German authorities blamed the monopoly retail organisations, HO and Konsum, for overcharging customers and artificially creating shortages by giving in to pressure from their western partners and refusing to buy East German produce.

In a rare public display of anger, Mr Lothar de Maizière, the Prime Minister, accused the two retail groups of charging extortionate prices to finance their "overblown" administrative apparatus. He threatened fines and closures if prices were not lowered.

Mr Ernest Vatter, head of the Bolle supermarket chain in West Berlin – recently bought by Konsum in East Berlin – said East German shopkeepers would soon lose out to western retailers if they did not lower their prices.

Konsum, recently privatised along with HO, which has joined forces with a supermarket chain in the west, said it would combat huge price rises with the help of its own inspectors. But the underlying cause was the monopolistic position of East German wholesalers, it said.

The 'well-paid sinecures' which guard D-Mark

David Marsh describes the little-known make-up of the German Bundesbank council

The decision-making body of Germany's most respected institution, underlying the extension of its power and preparing for re-unification, meets for the first time in East Berlin this week

AS Germany prepares for full unification, the 18 men on the Bundesbank's policy-making council are preparing for changes.

Underlining both the extension of the West German central bank's power and a strong degree of historical continuity, the Bundesbank's central council on Thursday meets for the first time in East Berlin.

The venue is the Bundesbank's new provisional headquarters in East Berlin, in a wing of the old pre-1945 Reichsbank, used for much of the post-war period to house the central committee of the East German Communist Party.

The council is the supreme guardian of the D-Mark. Following German economic and monetary union on July 1, its writ now runs in East Germany too.

The Bundesbank is, it might be argued,Germany's most respected institution. Its reputation and influence spread around the globe. But the way that the Bundesbank arrives at decisions is a diffuse process understood by only a few.

The body is made up of the central bank's directorate (currently seven-strong) and the regional central bank presidents, political appointees from West Germany's 11 federal states (Länder).

It is a mixed group of former state politicians, professors, officials and economists. Five – including Mr Karl Otto Pöhl, the Bundesbank president, who chairs the council – were once journalists.

The council meets every other Thursday, normally around a large table at the top of the Bundesbank's 13-storey headquarters in Frankfurt. Members take their place at the council table according to length of service. It may thus take 10 years or more for newcomers to move up from their place at the foot of the table towards the president and vice-president (currently Mr Helmut Schlesinger) at the top.

Few of the Land representatives making the fortnightly pilgrimage to Frankfurt in their chauffeured Mercedes would claim that their DM350,000 (£125,000) a year posts are particularly onerous. "Well-paid sinecures," is how Professor Karl Schiller, the former Economics Minister, describes them. "There is no more pleasant job," confides one former Landeszentralbank president.

Already the central bank council is a somewhat cumbersome decision-making body. None the less members praise the council's collegial spirit. "We are a homogenous group, in spite of our differences of opinions, and we do not split up on party political lines," says one experienced participant.

Once Germany is re-united, probably by the end of the year, the council could become still more unwieldy with the addition of the five East German Länder.

As a result, Mr Pöhl is determined soon to tackle the politically sensitive question of reorganising the council. Increasing the council to 25 – through five new Länder from East Germany plus a mooted two extra directors – could compromise the Bundesbank's independence from political influences, and heighten the danger of news leaks, Mr Pöhl believes.

Chairing the council requires political aplomb. Mr Pöhl, in charge for 10½ years since his predecessor, Mr Otmar Emminger, retired, is generally praised for his skill in steering meetings.

"We can be glad that we have someone who combines such intuition and political understanding," one Land central bank president says. "He knows how to be firm without being insulting," says another long-standing council member. He adds: "Pöhl is not really typically German. You can see this in his sense of humour."

In contrast to his austere predecessor, who used to take pride in carrying his own bags at international financial meetings, Mr Pöhl enjoys the good life. He always makes sure that members of the council have sufficient to eat and drink. Festive meals are habitually given to celebrate council members' 60th birthdays. Since the average age of Council members is 61½, these are frequent.

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Thai economy set to repeat high rate of growth

By Roger Matthews in Bangkok

THAILAND'S economy is set for a third successive year of double-digit growth, according to latest estimates from the Bank of Thailand. Mr Chavalit Thanachanan, the governor of the bank, said that the success of anti-inflationary policies had boosted growth prospects for the second half of the year, with the economy now likely to expand by about 10.4 per cent in real terms as against earlier predictions of 8.5 per cent.

The National Economic and Social Development Board has already this year revised the 1988 figure from 11 per cent to a 12-month record of 13.2 per cent. It is understood it will soon revise the 1989 GNP growth figures to more than 12 per cent, compared with the announced 10.8 per cent. Officials say it is not unreasonable to expect an average 12 per cent growth rate over the three-year period.

This is despite Thailand's well-publicised infrastructure problems, its worsening shortage of technical and management skills, rocketing land prices in the Bangkok area which are forcing substantial rises in the office and accommodation rentals market, and continuing uncertainties in the political arena.

This upbeat assessment of the economy may in part be designed to offset concern over the resignation from the Cabinet last month of General Chavalit Yongchaiyut (no relation to the central bank governor), the deputy Prime Minister, an apparent worsening of relations between the elected *government and the military*, and a scheduled no-confidence motion tabled by opposition parties in parliament.

Hopes that Gen Chavalit's ambitions had been temporarily satisfied by being offered the deputy leadership of Chart Thai, the single largest party in the ruling coalition, appear to have been misplaced. Meanwhile, Gen Sunthorn Kongsonpong, the military supreme commander, stoked the flames of speculation while supposedly dampening them by announcing that the army had no intention of toppling the government. "There is no reason to stage a coup d'état", he declared.

Such utterances have a more unsettling impact on daily trading on the increasing volatile Securities Exchange of Thailand than they do on longer-term investors. Despite a decline in applications for Board of Investment privileges this year, the overall investment outlook remains bullish. Industrial investment in 1990 and 1991 is forecast to be greater than for 1989, with projects valued at more than $2bn getting under way this year.

The central bank governor said he remained concerned at the rate of credit growth with total commercial bank lending expected to increase by over 30 per cent this year, some 5 per cent above target. The Bank of Thailand has urged banks to restrict credit and to be particularly rigorous in handling applications for what it terms non-productive sectors of the economy such as land speculation and condominium building.

The central bank says, however, that it does not think it will be necessary to increase interest rates further and is optimistic that inflation can be held to around 7 per cent this year, about 2.5 points higher than in 1989.

The unexpected bonus of a *sharp fall in international oil* prices this year has helped to ease Thailand's inflation worries while also limiting the deterioration in the trade deficit. The central bank now expects exports to grow by about 18 per cent and imports by 20 per cent, resulting in a trade deficit of just over $7bn.

Seaweed ousts salami from Japanese pizza

By Stefan Wagstyl in Tokyo

THE top-selling pizza in Japan would make an Italian weep in his grappa. The cheese-and-tomato treat which most appeals to Japanese comes adorned with spinach, seaweed and bamboo shoots.

The success of the "Japanese-style" pizza is the culmination of half a lifetime's work in pizza marketing for Mr Takuji Hashimoto, the president of the pizza operations of Asahi Beer, a leading brewery. It is also conclusive evidence of a case he has been trying to make almost since he started – that the Japanese taste in pizza is radically different from that in Rome or New York. He says: "The Japanese market for pizza is uniquely Japanese."

The point seems self-evident to the cheerful Mr Hashimoto, who likes to take a visitor to Asahi's nearest restaurant and order six different pizzas for tasting. However, only for the last two of his 17 years in the business has Mr Hashimoto been free to back his judgement.

Asahi started in the pizza business with a joint venture in 1973 with Pizza Hut of the US, the world's largest pizza company. But Pizza Hut Japan failed to meet the partners' expectations and two years ago the two companies divided up their 30 restaurants. Since then Asahi claims sales have soared by more than 50 per cent while Japan Pizza Hut's have languished. Asahi has opened 11 new restaurants against Pizza Hut's six. Pizza Hut, a subsidiary of PepsiCo, the cola company, declined to comment.

The root of the argument between Asahi and Pizza Hut was Pizza Hut's insistence that its pizzas had to be the same the world over, with few concessions to Japanese taste. Pizza Hut's view was summed up in the words of one executive who said success was a matter of bringing "the true pizza, as we know it worldwide, to the Japanese people".

Mr Hashimoto believes the single biggest change he has made has been to update the menu constantly, introducing new dishes at least two or three times a year.

Fearlessly, Mr Hashimoto re-wrote the hallowed Pizza Hut recipe. The dough was altered because the original was thought too soggy. "Cheese blend" was introduced alongside traditional mozzarella on the grounds that it had more taste. Asahi rang the changes with the toppings – as well as "Japanese style", pizzas decked out like Mexican tacos have proved extremely popular.

Success has given Asahi the confidence to invest in new restaurants, planning 30 or so in the next 10 years: a new outlet in Nagoya, finished to look like a French country house, cost Y270m (£1m).

Not surprisingly, the moral Mr Hashimoto draws from the pizza story is that joint ventures in fast food are hard to manage, unless Japanese managers are given their head.

As another example he cites Shakey's, the market leader in pizza, which has turned from a US-Japanese joint venture to one in which the Japanese partners have 91 per cent control. But Mr Hashimoto acknowledges there are no hard and fast rules – in hamburgers, the market leader is McDonald's, 100 per cent US-owned, and in chicken, Kentucky Fried Chicken Japan has just celebrated its 20th anniversary as a joint venture between Kentucky Fried Chicken of the US and Mitsubishi Corporation.

The music stops at Africa's single party

Three decades of undemocratic rule are being widely challenged, writes Julian Ozanne

THE RIOTS and demonstrations which have shaken African dictatorships and one-party states in recent weeks could hasten the end of an undemocratic post-colonial era already three decades old.

The latest troubles in Kenya, hitherto regarded as one of the most stable and peaceful countries in Africa, were sparked by a growing momentum for a multi-party democracy among Nairobi's slum dwellers and urban middle class.

Although there is clearly a criminal element involved, the youths in the forefront of battle with anti-riot police have a clear, if somewhat simple, agenda: an end to the one-party regime of President Daniel arap Moi.

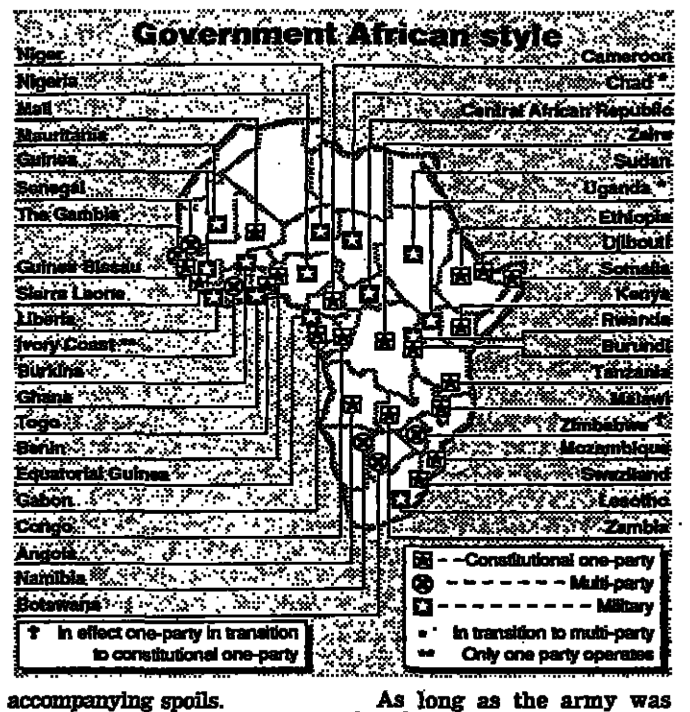
Inspired by the political eruptions in Eastern Europe, their cause fuelled by poverty, many people have chosen to work for political pluralism in Africa.

"When the one-party state failed in east Europe, its birthplace, we in Africa began to examine our own political arrangements," said the Reverend Timothy Njoya, whose sermon to Kenyans last New Year's Eve on this theme began the campaign for a multi-party system. Mr Njoya, a Presbyterian minister, was confined two years ago to a parish 70 miles north of Nairobi because of his outspoken views on human rights.

Since January riot police have been called onto the streets of towns and cities in the Ivory Coast, Zambia, Gabon, Benin, and Zaire to suppress rising opposition to one-party régimes, all of which have been in power for more than 18 years. The death toll across Africa has yet to be counted, but it is already in the hundreds.

In several countries, such as Gabon, Congo, Benin, Cameroon and Zambia, governments have bowed to pressure and attempted to implement limited reform programmes to buy off opposition, at least in the short term. But few observers believe that controlled change designed to keep the old guard in power can be a lasting solution.

Within a few years of independence the one-party state became established across Africa, with a few notable exceptions such as Botswana and Senegal. In some countries, such as Mozambique and Angola, it emerged as a result of guerrilla warfare which used *Marxist ideology and military* tactics to unseat colonial powers. But in most of Africa it was deliberately imposed by the small cliques which took power in the aftermath of the nationalist struggle and wanted to hang on to the accompanying spoils.



Patronage, an accepted political tradition in tribal African *societies, was liberally* employed to keep the post-independence generation of leaders in power. In many states from Zambia and Malawi to the Ivory Coast a leadership associated in each case with one man became the established norm.

As long as the army was bought off, the cities kept satisfied with subsidised prices, *freedom of expression* suppressed, and a rough and ready tribal balance kept in political and civil service appointments, one-party régimes looked safe.

On the rare occasions when they were obliged to do so, Africa's dictators justified their absolute power by saying that the one-party system provided stability during the difficult process of national development.

In Kenya, Mr Moi maintains that his people are not yet sophisticated and mature enough for a multi-party system and that tribalism would rear its ugly head if there was a move to democracy.

The argument that tribalism is waiting in the wings to reassert itself as the one-party state crumbles has been lent credence by the tribal violence in Burundi, Nigeria and Uganda since independence and which has more recently afflicted Liberia.

But advocates of a multi-party system say that tribalism cannot be utterly suppressed – whether in Canada, the Soviet Union or Africa – and is better channelled through a democracy. They say the danger of the one-party state is that it tempts the individuals or the tribes which hold state power to allocate jobs and economic resources to their own advantage.

Whatever the theoretical arguments, the challenge to the one-party state across Africa – encouraged by resentment about corruption and the dominance of small élites – is now more widespread and popular than ever.

S Korean shipyard orders treble

By John Ridding in Seoul

NEW ORDERS at South Korean shipyards more than trebled in the first half of the year *compared with the same* period last year, according to figures from the Korea Shipbuilders Association.

The association, which represents all of the Korean yards, said that a boom in global demand had resulted in orders for 68 ships representing 4.39m gross tons worth $3.49bn (£1.94bn) between January and June. In the first half of 1989, new orders amounted to about 1.34m gross tons.

Orders in hand guarantee enough work for Korean yards until the end of 1992 and represent a strong recovery from the recession of the mid-1980s, which threatened a number of the yards with closure.

Oil tankers and combined carriers accounted for 23 ships of 2.75m gross tons and 22 ships of 1.25m gross tons respectively and jointly represented more than 90 per cent of the total tonnage ordered in the first half of 1990.

This shows a shift in the pattern of demand to oil tankers and combined carriers from bulk carriers and container vessels which represented most demand last year.

Uneasy lull in battle for Monrovia

A scaling down in Liberia's civil war provided breathing space yesterday for intense efforts to negotiate a peaceful *exit for embattled President* Samuel Doe, Reuter reports from Abidjan.

By midday, no fighting had been reported in the capital, Monrovia, since the rebels pulled back to its outskirts on Sunday.

The motive for the withdrawal was uncertain. The rebels have denied they agreed to a ceasefire announced by Mr Doe on *Friday and it was not clear* if they had retreated to regroup or had been split by internal disagreements.

Liberia's West African neighbours took advantage of the lull to press ahead with last-ditch efforts to avert a bloodbath if the rebels take full control of Monrovia, a city of 500,000 people. Peace talks were to resume today in neighbouring Sierra Leone.

Some diplomats said that the rebel leader, Mr Charles Taylor, had delayed a final assault on Monrovia to give Mr Doe time to flee from his heavily-fortified presidential mansion.


Liberians queue for rations in the rebel-held port of Buchanan

Delhi to adopt tougher measures in Kashmir

By K.K. Sharma in New Delhi

THE Indian government has openly abandoned attempts to restore the democratic process in the northern state of Jammu and Kashmir. Instead, it has given draconian powers to the army and security forces to deal with the Moslem insurgency.

Mufti Mohammed Sayeed, Minister for Home Affairs in the country's National Front government, has announced that direct rule from New Delhi will be imposed in Kashmir from July 19.

That is when "governor's rule", imposed *for the six* months allowed under the constitution, expires.

Since the government feels that elections for a popular government are impossible in the state because of the continuing unrest, New Delhi will rule through Mr Girish Saxena, the new governor of Kashmir.

This ends speculation that Dr Farooq Abdullah, who was dismissed as chief minister of Kashmir six months ago, would be asked to form a government again, in an attempt to start a dialogue with the militants.

Far from talks with the militants, the Indian government has let it be known that it will adopt a hard line with them.

After declaring almost the entire Kashmir valley a "disturbed area" last week – and thereby giving junior officers powers to order firing on suspected militants and to demolish buildings thought to be hide-outs – the government has also given more powers to the Indian army in the state.

This makes it clear that the present governor plans to continue to use the unpopular pol*icy initiated* by *Mr Jagmohan*, who was removed as governor last May when security forces killed scores of mourners taking the body of the assassinated head priest of Kashmir for burial.

Mr Jagmohan dealt with the insurgency in Kashmir by ordering long spells of curfew in Srinagar and other towns, as well as by making brutal house-to-house searches whenever the militants attacked security forces.

This alienated the population, but the new powers given to security forces make it clear that the repressive policy is to continue.

Israel under pressure on peace policy

By Hugh Carnegy in Jerusalem

ISRAEL'S month-old government is coming under pressure to show its hand on the issue of Middle East peace proposals following invitations to talks from the US and the European Community to Mr David Levy, the coalition's Foreign Minister.

Mr Levy, who is recovering from a heart attack suffered shortly after he took office, has been invited by Mr James Baker, the US Secretary of State, *to meet him in Paris* next week. Mr Baker wants to see if the new government is willing to co-operate in reviving proposals for Israeli-Palestinian talks on holding elections in the Occupied Territories.

The process stalled in March when Mr Levy's Likud Party, now leading a right-wing coalition, rejected terms for talks proposed by Mr Baker. It appears Mr Baker is seeking now Israeli acceptance on the key issue of the composition of the Palestinian delegation by approving its members on a "name by name basis".

His earlier delicately balanced proposal that the delegation include deportees from the occupied territories and "dual addressees" – Palestinians resident in Jerusalem but officially domiciled in the West Bank or Gaza – just about satisfied the Palestine Liberation Organisation but was thrown out by Likud as compromising both its objections to the PLO and to the inclusion of Jerusalem Arabs in the process.

An Israeli Foreign Ministry spokesman yesterday expressed scepticism about the "name by name" approach. He repeated Mr Levy's insistence that the peace process should not concentrate solely on the Palestinian issue – a stance that conflicts with Mr Baker's position that an Israeli-Palestinian dialogue would open the way to broader Israeli-Arab rapprochement.

Mr Levy may *not* be fit to travel to Paris. But the Baker invitation has placed the onus on him to show soon whether the government is prepared to show any flexibility.

Israel faces breakdown in exodus planning

Soviet Jews are guaranteed a national home but not a house, Hugh Carnegy writes

ISRAEL, its Zionist gates thrown open to a stream of Jewish immigrants pouring in from the Soviet Union, is starting to run out of places to put them.

With empty housing increasingly scarce, and prices shooting up as a consequence, anxious government officials are scrambling to avert what would be a highly embarrassing breakdown in the country's ability to accommodate the exodus.

A shade under 50,000 Sov*iet olim* (the Hebrew word for immigrant means ascendant) arrived in the first half of the year, twice the total figure for immigration in all of 1989. Mr Uri Shoshani, in charge of planning at the ministry of construction and housing, makes no bones about the looming emergency, should the numbers rise shortly, as officially projected, to an annual rate of 250,000.

"We will run out of apartments in two or three months. There is an emergency plan to provide about 50,000 beds in hotels, pensions and military camps. But that may last only 2½ more months. So some time in November or December we could be in crisis."

Already some officials say there has been an underestimation of the existing housing stock. Last month, the number of arrivals was just over 11,000, a long way short of the 20,000 to 25,000 a month which Mr Shoshani anticipates.

There *is considerable determination* among Israelis to meet what is regarded as a vital test of the state's founding purpose of providing a national home for all Jews. They are spurred on by the belief that once the short-term problems are overcome, the Soviet influx will provide a long-term productive boost to the economy.

But with 1m Soviet Jews already registered as wanting to emigrate and the Israeli consulate in Moscow processing 1,000 visas per day – according to Mr Simcha Dinitz, chairman of the Jewish Agency – the immediate pressures are huge, especially on housing.

The issue is being watched with anxious interest by the Palestinians of the Israeli-occupied territories and neighbouring Arab states. Their fear is that either by deliberate policy or sheer pressure of numbers, the exodus will lead to more Israeli Jews settling in the West Bank and Gaza Strip.

Their worries were heightened when Mr Ariel Sharon, staunchly committed to Jewish settlement of the occupied territories, was made housing minister with additional overall responsibility *for immigrant absorption*. Mr Sharon, responding to Soviet threats to curb the flow of immigrants if any are settled in the territories, has said publicly they will not be directed there.

Mr Sharon has won cabinet agreement to waive normal lengthy planning and building approval procedures for three months to allow him to build 3,000 pre-fabricated houses in nine locations around the country – none in the occupied territories or annexed east *Jerusalem. Mr Shoshani says these* houses, most imported, should be erected by November in time to help fill the housing gap. But that is just a start. The housing ministry plans to put up another 40,000 prefabs.

The construction sector, weakened by *flat* demand and high interest charges, has not initiated *new* building projects, but has waited for a government lead. The government has been painfully *slow off* the mark. Fewer than 7,000 housing starts have been made so far *this* year, *although* 48,000 are planned.

A further complication is the complaints from Israel's existing poorer citizens. A doubling of rents over the past three months because of the housing shortage has prompted a number of homeless families to camp out in public parks in protest, including opposite the Knesset.

This in turn has led ministers to promise an equalisation of subsidies between immigrants and groups such as young couples and soldiers completing army service. A new immigrant qualifies, for example, for a $37,000 mortgage repaid at zero interest over 30 years, while a young native Israeli can get only $17,000 with a lesser subsidy in the *main* urban areas.

Such measures will only bloat the *escalating* cost of absorption. The government has so far budgeted extra spending this year alone of Shekels 2.5bn ($1.25bn), most of which will have to be borrowed. The impact on the balance of payments could be serious as debts and imports, for example prefab houses, rise sharply.

Meanwhile, the Bank of Israel has pressed for mortgage subsidies to be extended to rents to relieve the pressure *on* newcomers to sink large sums into fixed locations and instead promote greater labour mobility. The central bank wants the setting up of building investment funds to promote private rental sector building. The government rejects such proposals, concentrating instead on more traditional ways of getting roofs over heads.

But providing housing is only part of the battle. After that comes the challenge of providing jobs in an economy where almost one in 10 workers is already unemployed.

El Al sell-off recommended

Israel's Transport Ministry said yesterday it had been advised by its US investment bank consultants to float 51 per cent of El Al, the state-owned airline, on foreign and local stock exchanges, Hugh Carnegy writes. First Boston and Shearson Lehman Hutton said 25 per cent of El Al's stock should be sold on US and European stock markets, 16 per cent should be offered on the Tel Aviv market and 10 per cent offered to airline employees. They *said* the Government should retain a "golden share" to protect its interests.

El Al has moved back into profit in recent years – earning $24.2m last year on sales of $713.6m – after severe problems in the early 1980s. It was placed in receivership in 1982 because of chronic labour and debt problems.

Before privatisation can go ahead, its continued receivership will have to be lifted. An original privatisation report by First Boston also said the government would have to assume some of El Al's debts – which stood at $279m at the end of last year – and reach an arrangement over the six of El Al's 20-strong aircraft fleet owned by the Government.

Aquino birth control policy causes split in Catholic hierarchy

By Greg Hutchinson in Manila

The US is taking seriously communist threats to kill Americans visiting Manila's "red-light" district of Ermita, according to ambassador Nicolas Platt, Greg Hutchinson *reports* from Manila. The US embassy issued a warning to Americans over the weekend to stay away from the area after a bar owner received a letter purportedly from the communist New People's Army threatening attacks on Americans. Mr Platt told reporters that NPA responsibility had not been confirmed, saying there were "a lot of threats now. It's *our job to make sure Americans* know about them." Asked by reporters if he expected a stepping-up of threats, the ambassador replied: "Well they are already at a pretty high level." Negotiations are under way on the central Philippine island of Negros for the release of American Peace Corps worker Timothy Swanson, who was abducted by NPA rebels last month. In the past two years, the guerrillas have killed seven Americans employed by the military to underline their opposition to the presence of US bases and Washington's alleged counter-insurgency activities in the country.

AN ENDORSEMENT of artificial contraception by Mrs Corazon Aquino, the devoutly Roman Catholic president of the Philippines, has split the Church hierarchy on the vexed issue of birth control.

The endorsement was implicit in the announcement by the president's office last month it would take over the running of the dormant population programme from the Department of Health and assigning it a greatly enlarged budget.

Population growth is widely acknowledged to be the single most difficult issue in a country where more than 50 per cent of the population is under 15 and poverty is increasingly rapidly. Government statistics put the annual population growth rate at 2.4 per cent, but many in and out of the administration believe the figure is far higher – possibly around 3 per cent. The Philippines has 60-65m people, most of them tenants of ever-shrinking agricultural plots.

Mrs Aquino, in a change of tack that startled the devout and the doubting alike, felt compelled to assure her electorate that the "rhythm method" of birth control, currently allowed by the church, would be promoted along with other ones. The split in the church has developed over the issue of whether the state should be allowed to intervene to help stem population growth by *endorsing the use of the pill or* condom.

A conservative draft of a pastoral letter being discussed at the Catholic Bishops' Conference this week calls the concern about population a "non-problem", suggesting that birth control is best left to divine intervention.

Bishop Jesus Varela, chairman of the episcopal *commission* on the family and the letter's draftsman, argued in a paper at the conference that countries with big populations were great nations, a line repeated here like children's nursery-rhymes.

The president of the conference, Bishop Leonardo Legazpi, opposes the draft, and acknowledges population is a problem that calls for "some kind of state intervention". Other bishops, probably a minority, are to join him in opposing the tough, unaccommodating line.

A compromise is eventually likely. Father James Reuter, spokesman for the bishops, believes the position is likely to be critical of artificial contraception. However, there is no mileage in damning the praying president's new-found interest in population control – not when she is known to be besieged by mounting problems. Taking control of the programme could be an example of Mrs Aquino's long-awaited use of the instruments of power.

Critics have suggested she has brought the population programme under her control not because of any inherent interest in curbing population growth, but rather as a way of consolidating her power.

With the population programme comes an enviable administrative structure with tentacles reaching into villages and communities.

Mrs Aquino adamantly denies here motives are political and has repeated she will not run for a second term after 1992.

If Mrs Aquino really is riding the population bandwagon for ulterior motives, the Catholic church, especially her staunch ally Cardinal Jaime Sin, archbishop of Manila, will have even more reason to go along with a diluted endorsement of birth control. After all, Mrs Aquino, who takes counsel from senior religious figures, remains the church's greatest asset since the Spanish occupation.

WORLD TRADE NEWS

Brussels slaps anti-dumping duty on typewriter silk

By Tim Dickson in Brussels

THE European Commission said yesterday it was imposing a provisional anti-dumping duty of 24.6 per cent on Chinese imports of woven silk material for use in making typewriter ribbons.

Brussels' action follows a complaint of unfair competition by the International Association of Synthetic Thread and Fibre Users on behalf of Spinnhütte Seidentechnik, a German company which is the sole European Community manufacturer of the ribbon product.

According to a Commission spokesman, inquiries established that EC imports of the material from China in the first nine months of 1989 reached the same level as that recorded for the whole of 1988. The market share of the Chinese exporter, relatively stable between 1986 and 1988, jumped 6 per cent as a result.

A study covering the same period established an average dumping margin at the frontier of 47.2 per cent – but the resale price by the importer was 10-15 per cent below the EC producer's price and "below the price required for the Community producer to cover its costs and earn a reasonable profit".

Spinnhütte, according to the Brussels authorities, was stopped from increasing its own prices to recoup the rise in its raw material costs.

Justifying its action at this stage, the Commission says it is necessary to "prevent increased damage" before the formal completion of the investigation. China National Silk Import and Export Corporation (Zhejiáng Branch), the only known exporter to the EC, has made a price commitment which the EC accepts.

But a provisional duty was thought necessary at this stage "to make sure this commitment is respected and to discourage evasion resulting from the appearance on the market of other exporters".

Electrolux in Soviet deal for ozone-friendly plant

By Peter Montagnon, World Trade Editor

THE Electrolux/Zanussi group has won an order from the Soviet Union worth over $100m (£58m) to supply "know-how" and technology to build an ozone-friendly compressor plant near Moscow.

The plant will produce 1m sealed compressors a year for refrigerators and freezers, letting the Soviet Union use coolant technology being developed by the group which does not damage the ozone layer.

This technology is "in the final phase" of development and was not available when a similar deal was signed with China a year ago.

The group said it was rare for the Soviet Union to acquire the latest western industrial technology as soon as it was developed.

Usually only well-tried technology is transferred, but a number of countries, including India, have argued that a more liberal approach by western companies to technology transfer is needed if chlorofluorocarbon (CFC) emissions are to be controlled on a global basis.

Electrolux said the company was satisfied its intellectual property rights associated with the technology would be respected by the Soviet Union.

The company also had banking arrangements in place to ensure it receives prompt payment for the order, despite increasing delays in Soviet payments to western companies.

The compressors will be used by Zil, the Moscow-based Soviet enterprise which is best known for industrial vehicles and limousines, but which also makes refrigerators.

The technology is being supplied by two companies in the group, Zanussi Elettromeccanica of Italy and Verdichter of Austria.

Danish group reconsiders US policy after court case

THE legal status of foreign companies in the US is so precarious that East Asiatic Company (EAC), the Danish trading group with big US interests, will reconsider its policy to invest in America, Mr Henning Sparso, chief executive, says, Hilary Barnes reports from Copenhagen.

This follows a judgment against EAC in Washington state, where a jury ordered it to pay $19m (£10.61m) compensation to RSR Corp, the US metals company, in a matter over which EAC disclaims responsibility. The state supreme court has refused leave to appeal. EAC's US legal adviser, Professor John Coffee Jr of Columbia University Law School, says in a report to EAC that the only explanation for the jury's verdict and the compensation award seems the jury's disfavour towards a foreign company.

The judgment conflicts with the principle that shareholders in a limited liability company are not responsible for the company's debts, EAC's Danish legal adviser, Professor Bernhard Gomard, says. EAC says it was not even a shareholder in the company over which the case arose.

The story began when Bergsoe Metal Corporation (BMC), US subsidiary of the Danish metals company Paul Bergsoe & Son, bought a lead smelter in Seattle from RSR in 1983. EAC held a one-third stake in Poul Bergsoe, but had no direct shareholding in BMC when BMC was acquired (though it had earlier held 50 per cent through its US subsidiary EAC Inc).

The RSR-BMC contract included a clause committing BMC not to shut the smelter. But, after a technical accident, BMC did so shortly after acquiring it and when, EAC says, an Oregon bank was in *de facto* control of BMC. BMC, hit by a metals price collapse, went bankrupt, whereon the jury decided to make EAC responsible for compensation it thought due to RSR.

OECD sees fall in export credit activity at end

THE DECLINE in export credit activity that started with the developing-country debt crisis of 1982 appears to have come to an end, according to the Organisation for Economic Co-operation and Development (OECD), Peter Montagnon writes.

New long-term loans agreed by the 22 members of the OECD Consensus on Export Credits totalled SDR7.9bn (£6.07bn) last year, again well up on the 1987 low of SDR6.4bn.

Last year's total marked a fall from the 1988 level of SDR9.6bn, but this may be explained by the "abnormally high" 1988 figures which included financing for some exceptionally large projects, the OECD said.

The organisation warned it was still too early to say if new credit flows would hover around the present relatively low levels or recover to the volume of the early 1980s.

But preliminary data suggest that medium-term credits, with a life of under five years, may also have increased last year, the first rise since 1982, it added.

Outstanding medium- and long-term credits grew by slightly over 2 per cent to SDR222bn in the first half of last year from SDR218bn at the end of 1988, against a peak of SDR285bn in 1983.

Cuba counts on tourism to boost its economy

CUBA is banking on ambitious tourism developments and new exports such as medical products to bolster its beleaguered economy and cushion the impact of falling trade with east Europe, Reuter reports from Havana.

Tourism, neglected for more than two decades, is seen as the key money-earner. The island earned $260m (£151m) from tourism in 1989 and aims to multiply this through beach hotel joint ventures with west European entrepreneurs.

Spanish capitalists are spearheading European interest and running the first joint-venture hotel, which opened in May.

At least a dozen other projects are being built or discussed.

Mr Alberto Betancourt Roa, Foreign Trade Minister, said Cuba had high hopes for its high-technology medical industry. A key feature of a Soviet-Cuban trade protocol signed for 1990 was for Cuba to supply medicines and medical hardware, such as diagnosis machines.

Cuba has supplied Brazil with a meningitis vaccine, in a deal worth $100m. It is negotiating new trade agreements with the Soviet Union and its rapidly reforming east European allies, which together account for 80 per cent of Cuba's total trade.

Bargain in the air for Gatt rule on predator pricing

William Dullforce outlines a compromise proposal for the trade body's code on anti-dumping actions

A COMPROMISE has been outlined in the conflict over governments' anti-dumping actions, one of the central issues of the Uruguay Round multilateral trade talks. In essence, the conflict pits Japan and a group of newly-industrialised countries (NICs) against the European Community and the US.

Mr Charles Carlisle, deputy director-general of the General Agreement on Tariffs and Trade, who for several months has chaired an informal working group of negotiators from about 30 countries, is circulating this week a proposal for a far-reaching revision of Gatt's anti-dumping code.

Dumping occurs when a product is sold on a foreign market at a price lower than that for which it is sold in the exporting country.

There was a surge during the 1980s in the number of anti-dumping actions started by governments against foreign companies suspected of deliberately undercutting domestic prices to capture market shares. This was matched by an increasingly angry riposte from Japan and the NICs that the EC and the US were exploiting anti-dumping as a protectionist instrument.

The revision of the Gatt code proposed by Mr Carlisle would, on the one hand, greatly tighten the rules governments must follow when identifying and taking action against alleged predatory pricing by exporters.

The suggested changes go a long way to meeting complaints from Japan, NICs such as South Korea, Hong Kong and Singapore, and some developing countries that the EC and the US have been applying arbitrary and unfair methods when determining dumping and imposing anti-dumping charges.

Governments would be forced to act more openly and to justify their actions. Countries would have to establish independent tribunals ready promptly to review administrative decisions. Industrial users of imported goods and consumer organisations would be allowed to put their cases.

On the other hand, Mr Carlisle proposes to introduce into the Gatt code provisions that would allow governments to block circumvention of anti-dumping charges by companies assembling imported components in the importing country or shifting production to a third country. This particular revision closely follows US proposals.

It also offers the EC an alternative to its current anti-dumping practices which, in a notable ruling earlier this year, a Gatt disputes panel declared to be illegal. The panel found in favour of Tokyo's complaint that Brussels had violated Gatt rules, when imposing anti-dumping duties on Japanese "screwdriver" plants assembling electronic products from imported parts within the EC.

Dumping has become meshed with other crucial issues and interests in the trade talks. Brussels, for instance, has made clear that the EC will agree to liberalise trade in *textiles* and *clothing* only if anti-dumping rules are reinforced – a position shared by the US.

Mr Carlisle's proposals are bound to be contested when the working group meets again next week just before the crucial meeting of the Round's Trade Negotiations Committee. His compromise assumes that each side will be willing to give ground on one front to win essential territory on the other.

Japan and its allies would gain tighter Gatt control over anti-dumping measures and greater openness in the procedures and calculations by which governments impose anti-dumping charges. But the proposed new anti-dumping rules would not be as stringent as they would like.

> The practice of pricing a product on a foreign market lower than on the exporters' domestic market has become one of the central issues of the Uruguay Round of trade talks

The EC and the US would secure a go-ahead for preventing circumvention of legitimate anti-dumping duties. But they would have to accept tighter limits on anti-circumvention action and more stringent definitions on what constitutes dumping.

In determining whether dumping has taken place governments would have to be more precise in assessing prices. When there is no obvious direct comparison between the export and domestic prices of a product, the revised code would tilt governments towards using the price of the "like product" exported to a third country rather than the "constructed price" favoured by the US and the EC.

Authorities frequently add assumed marketing costs and a profit margin to production costs when constructing a price, evoking recriminations. A significant amendment stipulates that estimates should be based on actual data. This would balk current US practice of automatically adding a 10 per cent margin for marketing and 8 per cent for profit.

A current allegation against EC and US practices is that, when calculating the dumping margin, they take the average price in the exporting country but select individual prices from their domestic markets, thereby creating false margins. Under the revised code both prices would have to be established on a weighted-average basis.

Governments would have to apply tougher standards in showing that domestic producers had suffered injury from dumped goods. The dumping margin and the volume of imports would have to exceed certain limits; Colombian cut-flower exports to the US, for instance, would no longer be hit by anti-dumping charges.

It would be more difficult to impose duties on goods subject to quota restrictions, such as textiles and clothing. Domestic producers would have less scope for harassing exporters by initiating anti-dumping cases on flimsy evidence.

EC and US demands that Gatt provide them with effective means to prevent circumvention of legitimate anti-dumping measures would be met but subjected to precise conditions. The value of the imported parts used in assembling the product in the importing country or in a third country would have to exceed a given percentage of the total value of a comparable domestically-produced product.

Authorities would have to show that the imported parts originated in the country to which the anti-dumping duty had been applied. They would also have to provide "positive evidence" that the imports of parts had started or increased substantially after the duty had been imposed.

Duties could be applied retroactively, if circumvention could be shown, but only after the authorities had complied with revised provisions in the code setting out the conditions for initiating investigations and ensuring the rights of interested parties.

THE HOUSTON SUMMIT

AGRICULTURAL PROBLEMS WILL PROVE A BONE OF CONTENTION

Farm subsidies to test G7 resolve

By Peter Norman in Houston

WHEN THE leaders of the world's biggest industrial countries embarked on their political careers it is unlikely they thought they would become international experts on farm policies.

Yet by the time this week's *Houston economic summit* closes tomorrow, it is possible they will know more about one another's agricultural problems than their own farm ministers.

As the summit opened yesterday it became clear that the problem of cutting agricultural trade subsidies would vie with the economic difficulties of Soviet President Mikhail Gorbachev as the main issue of discussion. It is already the biggest bone of contention.

On Sunday night a meeting of senior officials from the summit nations failed to make progress in drafting sections of the final communiqué dealing with agricultural trade.

On financial grounds alone the problem of farm subsidies can claim the attention of the summit leaders. According to the Organisation for Economic Co-operation and Development (OECD) the cost of agriculture to consumers and taxpayers in the industrialised world amounts to about $250bn (£140bn) a year.

The issue has gained such urgency in Houston because of its importance for the current Uruguay Round of multilateral trade liberalisation talks under the auspices of the General Agreement on Tariffs and Trade (Gatt). Although the Gatt round is not due to end until December, it is complex, involving 15 different categories of trade.

Unless differences over agriculture are resolved the Gatt negotiations could run out of time.

The US and Canada, as efficient farm producers, are insisting the Uruguay Round must agree on a programme to dismantle export subsidies, reduce internal farm support and increase access in industrial country markets for the products of leading producers. Otherwise, the US has warned, the Uruguay Round will not succeed.

In pre-summit briefings the EC Commission has insisted it will not negotiate separately on the three elements of the US proposal. It wants to take an aggregate measure of farm support – the support measurement unit – as the basis for talks on reducing subsidies.

The reasons are political. Mr Frans Andriessen, the EC's trade commissioner, pointed out that the Community has four times the number of farms the US has, on a quarter of the acreage. Interests of these European producers vary, making it difficult for the Community to unbundle its negotiating stance.

France's large-scale farmers like export subsidies, for example, while their West German counterparts, working smaller acreages, depend on barriers against non-EC producers for their survival.

Britain would like to see a reduction in farm subsidies, which UK officials estimate cost about £16 a week for an average four-person British household.

Although the controversy over agriculture is focused on the US and the EC, Japan will also find its policies under the microscope in Houston.

It has the highest levels of farm support per head in the world. But as Mr Toshiki Kaifu, the Japanese Prime Minister, pointed out in a meeting with Mrs Thatcher, the British Prime Minister, Japan has the lowest level of food self-sufficiency among the summit countries, while 30 per cent of its rice paddies are lying fallow.

Behind such broad issues lie numerous detailed problems which trade negotiators in Geneva will have to solve in the coming months.

Nobody expects the heads of government to master the arcane world of farm diplomacy. But they will have to formulate clear goals and run the risk of political unpopularity at home so that the negotiators in the Uruguay Round can complete their task.

Appeal to back agricultural trade reform

By William Dullforce in Geneva and **Peter Riddell** in Houston

THE CAIRNS Group of 14 farm product-exporting countries has urged G7 leaders to commit themselves at the Houston summit to an ambitious and comprehensive reform of world farm trade.

The leaders should accept the draft programme tabled on July 9 by Mr Art de Zeeuw, chairman of the group handling agriculture in the Uruguay Round trade talks, as a basis for further negotiation, *Cairns Group ministers said.* Canada represents the group at the summit.

Mr de Zeeuw's plan aims at a compromise between the US and the European Community which would enable countries to negotiate, in the remaining five months of the Uruguay Round, an agreement to reduce substantially their subsidies to farm exports, the protection applied at the border against farm imports and trade-distorting internal support for farmers.

The declaration by the Cairns ministers after their three-day meeting in Santiago, Chile, last week, contained an implicit threat. They voiced their determination to make sure the four-year Uruguay Round did not conclude in December "in whole or in part" without a substantial outcome on agriculture.

The warning cannot be dismissed lightly. At the Round's mid-term ministerial review in December 1988 the South American members of the group blocked movement across the range of trade-liberalising agreements under negotiation for four months. They held this position until receiving satisfaction over the handling of the farm issue.

Co-ordinated by Australia, the Cairns Group is the third key protagonist in the farm talks, alongside the US and the European Community. Its members include Argentina, Brazil, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Philippines, New Zealand, Thailand and Uruguay. Together they account for roughly a third of world farm trade.

Meanwhile, Mr Bill Brock, a former US trade representative, argued yesterday that the EC was holding up progress on agriculture in the Uruguay Round by not giving a mandate to officials to negotiate,

He was speaking at a forum on trade organised by the Eminent Persons Group on World Trade, an international group of current and former ministers, and by the MTN group, a US business lobby.

Mr Brock, who had a key role in initiating the round, said yesterday that, while he was reluctant to lay blame for the current stalemate, there was a contrast between US willingness to negotiate and the absence of a mandate on the EC side. He said the EC had to decide what its position was and give a mandate to negotiators.

He deplored the current absence of talks on agriculture, and said that the summit leaders had to give instructions this week to negotiators ahead of a key meeting in two weeks' time.

Bill Brock: EC is holding up progress

Real country welcome for the folks from the east

By Peter Riddell

SOMETHING WAS clearly up in the Houston Astro Arena on Sunday evening. Mr Jacques Delors, the president of the European Commission, was wearing a white satin jacket of the Grand Ole Opry country music show; Mr Toshiki Kaifu, the Japanese Prime Minister, was wearing a cowboy hat; and Mr Denis Thatcher, husband of Britain's Prime Minister, was in a western-style coat and checked cowboy shirt.

His wife was, however, attired more demurely, as if attending a garden party. This was not quite the right gear, as she discovered when picking *her way through the "dirt" of a* livestock pen.

It was all so that President George Bush could show his summit guests that they were really in the west. He had organised a barbecue, rodeo and country music show for those summit leaders who had arrived in time.

The more fastidious of the European leaders, from France, West Germany and Italy, did not get into Houston in time, no doubt to their eternal regret.

Mr Bush, a New Englander by birth and background, is always keen to proclaim that he has been a Texan for more than 40 years. The whole summit is in one sense a big thank you to Houston, his home, political base and source of financial contributions. There is already a President Bush Drive outside the Houstonian Hotel, his legal home here. And the summit is expected to generate at least $20m (£11m) for the slowly reviving Houston economy.

The summit leaders were left in no doubt that they were in Texas when the 45-minute rodeo began with a giant red and white cowboy boot in the middle of the arena. As the lights dimmed, a garishly clad rider emerged at the top of the boot carrying the Stars and Stripes as the national anthem was played. The rider and horse slowly revolved before disappearing again down to the heel and then being released, no doubt with relief after 90 minutes of incarceration.

The leaders seemed bemused *by the subsequent daredevil* performance, though they brightened up when the Grand Ole Opry, the 65-year-old country music institution, gave only its second performance away from its Nashville home. As the leaders listened to stars Loretta Lynn and the Gatlin Brothers, Mr Delors, the Mulroneys and the Bushes could be seen enthusiastically foot-tapping away.

However, the Thatcher foot remained still for most of the time.

Perhaps Mrs Thatcher was thinking how she could possibly match this Texas extrava*ganza when she hosts the next* world summit in Britain next year – a snooker or darts contest in the Wembley Arena, or perhaps a one-day cricket match to test the patience of Chancellor Kohl and President Mitterrand?

Margaret Thatcher and Canadian Prime Minister Brian Mulroney at the Houston barbecue

'Urgent' Soviet call for western loans

By Quentin Peel in Moscow

TOP Soviet officials yesterday agreed large-scale western loans were urgently needed to stabilise the *Soviet economy,* but rejected in advance any attempt to attach political conditions to them.

Dr Leonid Abalkin, deputy prime minister in charge of economic reform, agreed "economic conditions" could be negotiated with potential creditors.

Loans were needed urgently to "stabilise conditions" in the country, above all on the consumer market, to restore Soviet citizens' confidence in the government's plans to introduce a market economy.

At the same time, loans must be used to re-equip the consumer goods and food processing industries, and promote a strong non-state sector. He hoped the legalisation of shares in Soviet enterprises would attract significant foreign investment.

Dr Abalkin's enthusiasm for western credits represents a radical shift in Soviet government thinking, hitherto opposed to any sharp rise in the country's indebtedness.

He was backed by Mr Eduard Shevardnadze, Soviet Foreign Minister, and Prof Nikolai Petrakov, economic adviser to President Gorbachev. "Economic aid, or rather, economic co-operation, the supply of credits, without question helps perestroika, democratisation and the humanisation of our society," Mr Shevardnadze said.

The problem for the Soviet *authorities is that they need a* substantial part of any credit for the purchase of consumer goods - something all western creditors are loth to finance. They have been persuaded to turn to the west when the Soviet credit rating has fallen because of trade payment delays and the growing Soviet political vacuum.

Dr Abalkin said the Government's programme for transition to a market economy, which has aroused opposition in the Supreme Soviet and the country at large, was a coherent basis for any western loan programme.

"We are not looking for crumbs from the rich man's table. We need stabilising credits. We are moving to a market economy, and we need loans to help us with this process." Consumer goods were urgently needed, but "throwing your money at filling gaps in the consumer market is not effective". Credits must be used to re-equip Soviet light industry and promote "a powerful non-state sector".

The Government had boosted consumer goods purchases from the west, and closing chemical plants for environmental reasons had worsened the problem. "We are even buying chemicals for gold."

US, Canada plan clean-air talks

By Peter Riddell

THE US and Canada are to begin negotiations later this month on a bilateral air quality accord designed to reduce emissions causing acid rain.

US President George Bush and Mr Brian Mulroney, the Canadian Prime Minister, agreed at a meeting in Houston before the summit that the accord should cover targets and timetables for reductions in emissions.

The agreement may also include a research and monitoring programme, a method of exchanging information on pollutant emissions, a provision for dispute settlement and a joint oversight committee. The initial focus of the negotiations will be on a reduction of sulphur dioxide and other contributors to acid rain.

This issue has been a source of considerable tension between the two countries over the years, with Canada pressing for tough controls on emissions from US mid-western power plants which affect Canada.

Progress of clean-air legislation through the US Congress has opened the way for negotiations. This measure, the most far-reaching since the mid-1970s, specifically calls for a sizeable reduction in annual emissions of sulphur dioxide, with a requirement that the US electricity industry cuts its emissions in half by the year 2000.

The bill is currently being considered by a conference committee of the House and Senate.

After announcing the start of negotiations, Mr Mulroney said "this day will long be remembered in the history of our relationship for the significant departure that it constitutes from past positions in regard to the protection of the environment in North America."

The announcement of the negotiations will also enable President Bush to defend his environmental record during the summit.

Mr John Sununu, the White House Chief of Staff, set the tone yesterday when he angrily rejected criticism by environmental groups that the US and its industrial allies were polluting the planet, saying the complaints were just "emotional rhetoric."

"If you look at it in terms of the real clean-up, the US has an outstanding performance relative to the rest of the countries of the world," he said in a television interview.

OTHER AMERICAN NEWS

Vote on wage indexation to test Collor's anti-inflation crusade

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor de Mello's anti-inflation plan was last night facing a crucial test in the Brazilian Senate, *which was due to vote on* a law introduced by Congress to re-introduce indexation of wages.

If the law, introduced against the government's wishes, is passed, economists believe it will mean the return of hyperinflation.

The vote coincides with the release of figures showing that the recessionary effects of the anti-inflation plan are beginning to bite. June saw the highest monthly increase in unemployment and fall in consumer spending in a decade.

According to the Federation of Commerce in São Paulo, sales dropped by 20 per cent in June and were down by 17 per cent for the first six months of this year compared to the same period in 1989.

Mr Ibrahim Eris, central bank governor, insisted: "We are committed to keeping inflation low at whatever cost, even if there is a huge recession." But he warned that if the indexation law was passed the recession would be much deeper and the reduction of inflation slower.

Outside his offices in Brasília, workers have been demonstrating against dismissals and demanding that wages be re-linked to inflation.

Mr Eris complained: "Workers see a 10 to 20 per cent wage adjustment each month as not serious; businessmen tell me they're not going to risk a strike for 10 per cent but will *pass it on to prices. The next step* is 20 per cent, then 30 per cent, then we are back to hyperinflation."

President Collor has predicted 3 per cent inflation next month but inflation has hit a monthly 12 per cent. The price of meat jumps by 20 per cent a week.

Economists blame this on a failure to control money supply since the draconian seizure of 80 per cent of savings in March. But Mr Eris argues the only reason is psychological, stemming from "our inflationary culture."

Meech Lake failure cools relations

COLLAPSE of the Meech Lake constitutional accord has heightened tensions between Canada's English and French-speaking communities and reinforced a view among Quebeckers that they should move towards greater *autonomy,* according to an opinion poll published yesterday, Bernard Simon writes from Toronto.

More than half the poll's respondents said the accord's failure late last month had done lasting harm to French-English Canadian relations.

Almost three-quarters of Quebeckers felt that way, and 76 per cent of them predicted that Quebec would eventually separate from the rest of the country, *compared to 44 per* cent of those questioned in a similar poll last October.

Whiff of S&L scandal in Washington air

By Lionel Barber in Washington

THE US savings and loan crisis – which is expected to cost more than $200bn (£110bn) over the next 10 years – has suddenly become this summer's hot political issue.

In dozens of congressional races around the country, Democrats and Republican candidates are seeking to exploit the débâcle, hammering home to local voters that they will have to pay for "the mess in Washington".

At the national level, the bipartisan consensus between the Republican Administration and Congress which marked last year's S&L rescue package is eroding fast – undermined by the escalating costs of the bail-out and the stampede to avoid political blame.

The Bush Administration – sensitive to Democratic accusations that it has been *soft on S&L fraud – has announced it has* targeted 100 thrifts for swift investigation.

President George Bush has said he will not seek to impede an official investigation of his own son Neil's role in the collapse of Silverado, a Denver-based thrift, which closed just a few days after the 1988 presidential election.

The whiff of scandal is in the air, fanned by Democrats such as Senator Howard Metzenbaum, the crusty septuagenarian from Ohio.

Mr Metzenbaum and his team of congressional investigators this week unearthed a deal whereby the Federal Home Loan Bank Board in 1988 sold 15 insolvent Texas S&Ls to an Arizona insurance executive who was charged with securities fraud in 1976.

Mr James Fail bought the S&Ls by putting up $1,000 of his own money, borrowing $70m and receiving $1.85bn of government guarantees over several years. Mr Fail agreed to invest $50m over the next two years, but Mr Metzenbaum described the deal yesterday as "an abomi*nation*".

Mr Metzenbaum also intends to investigate the role of an ex-aide to Mr Bush, then vice president, who lobbied Bank Board officials on behalf of Mr Fail's bid for the collapsed Texas thrifts now consolidated into the Dallas-based Bluebonnet group. The Bluebonnet deal is only one of a number of "fire-sales" ordered by Mr Danny Wall – then Bank Board chairman – at the tail-end of the Reagan administration. Numerous individuals and business groups were involved and billions of dollars in tax breaks were made available in an effort to take the bankrupt thrifts off government hands.

The deals drew criticism at the time, but they have gained weight because of increasing public awareness of the cost involved to taxpayers. Mr Bush has highlighted this by linking the need for "new tax revenues" to extraordinary unforeseen circumstances, such as the escalating cost of the S&L bail-out.

At the local level, Republican and Democratic candidates are seeking to use the *S&L débâcle* to attack incumbents. Congressmen are under fire either because they received campaign contributions in the 1980s from then cash-rich S&Ls, or because they failed to do *enough* in Washington to prevent the mess.

Pollution in Irish Sea is 'short lived'

By John Mason

THE pollution problems of the Irish Sea are essentially minor and short-lived, Mr David Hunt, the Welsh Secretary, insisted yesterday.

In an opposition debate on environmental policy, he rejected claims the Government was failing to tackle the problems caused by the dumping of industrial waste and untreated sewage.

Mr Hunt said the only exception to the generally minor scale of pollution in the Irish Sea was Liverpool Bay where mercury limits, although now declining, had been near European Commission limits.

Discharges from the Sellafield re-processing plant had been reduced to 3% of their 1979 level, he said.

Rejecting a call from Mr Dafydd Elis Thomas, a Welsh nationalist MP, for an independent survey into the problem, Mr Hunt said the measures agreed by the international North Sea conference were being applied in all UK waters.

These applied to the dumping of sewage sludge, industrial waste and hazardous chemicals.

Mr Thomas also demanded the Welsh Office take a stronger lead in developing "greener" policies.

Its industrial regeneration programme should place emphasis on attracting environmentally friendly companies to Wales and encouraging farmers to switch to organic agriculture, he said.

Union will seek return of donations from Dublin, Vienna

Miners leader defends use of east European funds

By John Gapper, Labour Editor

MR ARTHUR SCARGILL, president of the National Union of Mineworkers, yesterday won support for his handling of funds donated during the 1984-85 miners strike, including £1.4m from Soviet and east European miners, with a strong speech in his own defence at the union's annual conference.

Although he was criticised by some miners' leaders for giving a selective account of an inquiry into his use of funds, most delegates at the conference stood to applaud him at the end of his speech.

In a private session later, the conference voted to back a further inquiry into whether the union could recover from accounts in Dublin and Vienna money donated by Soviet and East European miners.

Four members of the NUM executive will next week seek advice from Mr Gavin Lightman QC - who carried out the inquiry - on whether it can claim these funds. The inquiry will be discussed separately by the NUM's areas. A delegate conference of the union this autumn will be told whether funds can be recovered.

It may consider disciplinary action against Mr Scargill and Mr Peter Heathfield, the union's secretary if an area calls for it.

Mr Scargill's speech, given at the conference in Durham, was criticised by Mr Des Dutfield,

Arthur Scargill

South Wales NUM president, who said he was "disgusted" that the NUM's national officials should have have been allowed "such autocratic powers" over funds after the strike.

Mr Kevin Barron, Labour MP for Rother Valley and a non-voting member of the NUM executive, said Mr Scargill had given a "half-cocked" explanation and he would face more pressure from miners.

But Mr David Hopper, an executive member for the union's north-east area, said he was pleased that Mr Scargill had been supported by the conference after being cleared of the allegation of using donated funds for personal gain.

Mr Scargill said in his speech that the sequestration of the NUM's assets during the strike in 1984 "led our union, just like Star Trek, to areas where no union had ever gone before."

He said he had kept 17 unofficial bank accounts secret until December last year because if they had been disclosed the NUM would not legally have been able to repay £700,000 of loans.

Although receivership was lifted in June 1986, Mr Scargill said the union was still affected by an outstanding breach of trust action brought by the receiver against senior officials.

He said the union had a "debt of honour" to others to repay their loans. It had done so and had also deposited a further £135,000 in an account known as the Miners Solidarity Fund for miners suffering hardship.

Mr Scargill said the donation of £1.4m from Soviet and east European miners had been put into a Dublin trust fund controlled by the Paris-based International Miners Organisation at the request of Soviet unions.

About £1.8m still remained in IMO-controlled accounts. Some £1.05m had been withdrawn from the Dublin account, and he said Mr Lightman had accepted that 83.5 per cent of that money had been used for NUM benefit.

BRITAIN IN BRIEF

Hekla takes UK arm of Maserati

Maserati UK, which holds the franchise for Maserati cars in the UK and Ireland, has been taken over by the Hull-based Hekla Group, a contract hire and caravan manufacturing group.

The company has appointed Mr Stan Cholaj, formerly assistant managing director of Nissan UK, as managing director.

Maserati is one of the smallest car franchises in the UK with sales of 151 cars last year and 136 in 1988.

The company now has only 14 dealers in the UK, but Mr Cholaj said it was seeking to expand the network to around 20 and was also seeking to add dealers in Ireland.

Maserati UK is seeking to increase its sales to 300-350 a year in the medium-term, but it will have to overcome a troubled previous sales history in the UK.

Earlier this year Fiat, the Italian car maker, took a 49 per cent shareholding in the Maserati manufacturing operations in Italy.

Plan for wind power in North

A scheme to generate electricity from wind powered turbines in South Cumbria has been announced.

Area electricity board NORWEB want to erect 15 of the 40 metre high windmill-like structures, each driven by a 33 metre long rotor blade on remote Kirkby Moor, near Grizebeck. They will produce 4,500 kilowatts.

On Thursday South Lakeland District Council will be recommended to tell NORWEB to go ahead and prepare a detailed scheme for their approval.

Lords delay fishing verdict

The House of Lords reserved its decision on an appeal from Spanish trawler owners that they be allowed to resume fishing against British quotas.

The Spaniards, representing more than 60 vessels, are seeking an interim injunction to suspend the operation of new licensing provisions which impose nationality and domicile requirements, aimed at protecting the British fishing fleet.

Hoverspeed setback

Hoverspeed, the British ferry company, has suffered further setbacks to its plans to introduce the world's biggest wave-piercing catamaran on cross-channel services between Portsmouth and Cherbourg.

The $15.4m SeaCat class wave-piercer – the first in the world to carry cars as well as passengers – was originally due to enter service on June 14, halving the five-hour crossing time of conventional ferries on the western channel. However, it has been dogged by technical problems.

Nomura active in markets

Nomura International, the Japanese securities house, started market-making in continental European stocks and at the same time increased its market-making coverage in UK equities.

The Japanese firm is at present limiting itself to making markets in the shares of 13 large continental companies, from West Germany, Holland and France. These include Siemens, Deutsche Bank, Unilever and EuroDisney.

Factory gate prices slow

The rate of increase of factory gate prices fell for the first time in 5 months in June, and the costs of materials and fuel also declined faster than expected.

Manufacturing producers' output prices, one of the inflation indicators closely watched by the government, have been on a broadly upward trend since the end of last year, despite falling input prices since late 1989.

Producers' output prices rose by 0.2 per cent between May and June, with the annual rate of increase falling to 6.2 per cent from 6.3 per cent.

The rate of price increases fell across the board, with particularly important falls in prices for manufactured metal products.

But the annual rise in the output index was revised up for May, from 6.2 per cent to 6.2 per cent, indicating that small changes in the index need not be maintained.

Scottish steel campaign

Scottish campaigners against British Steel's decision to close the hot strip mill at its Ravenscraig plant at Motherwell, Strathclyde, are nominating Sir Kenneth Alexander, a leading figure in Scottish public life, as a director of British Steel.

Sir Kenneth says he would use his position as a director to discover whether closing the mill was in shareholders' best interests. British Steel shareholders will be asked to vote on his election to the board.

Maths at Cambridge

Cambridge University, acknowledging that its mathematics curriculum is not properly preparing graduates for careers in industry, plans the first radical overhaul in mathematics teaching in 25 years.

Its aim, the university said, is not only to serve better the two-thirds of its graduates who go on to technological or scientific work, but also to broaden the pool of entrants to mathematical studies.

Battle to woo Globe investors

By Nikki Tait

A BATTLE to woo the private investors who hold shares in Globe Investment Trust broke out yesterday as Legal & General, the insurance group and manager of rival unit trusts, offered to buy their Globe shares for an effective 211p each.

This is 6p a share more than is being offered by the British Coal Pension Funds, which have been engaged in a two-month struggle for control of Globe. BCPF took its stake in Globe through the 50 per cent mark on Friday, and has subsequently claimed victory in its takeover attempt.

The condition attached to L&G's innovative offer is that Globe shareholders reinvest the proceeds in L&G's Equity Trust, a £440m unit trust.

The insurance group has also restricted the number of shares it will purchase to 20m, just 3.7 per cent of the total Globe equity. In short, L&G is effectively paying to attract new funds under management.

If shareholders take up L&G's offer, the insurance company – which has already sold part of its existing holding in the investment trust – would end up with an enlarged stake in Globe.

However, L&G made clear that it would dispose of any Globe shares resulting from its scheme, and these seem likely to end up in BCPF's hands.

The insurance company said it was able to make the move because of the initial charge – 6 per cent – normally levied on investments in its Equity Trust.

Such charges are standard among unit trusts, and cover marketing and other expenses. In this case, L&G's loss on the Globe shares would, in essence, be funded out of the initial charge.

L&G's novel move was greeted with a mixture of admiration and annoyance by its competitors in the savings market.

Globe, meanwhile, visited the Takeover Panel yesterday, still querying the implications of BCPF's buying of shares ex-dividend from some institutions on Friday. There were also meetings between Globe and BCPF, and the two parties' advisers.

This is leading up to a Globe board meeting tommorrow, after which formal advice will be given to shareholders. Globe said the matter of whether or not to press for a full panel hearing on the share purchasing would be considered at the same time.

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Idea of federal Europe attacked

By Michael Cassell, Political Correspondent

BRITAIN is determined to prevent the emergence of "an expensive, bureaucratic and burdensome" central government for Europe, Mr John Redwood, the trade and industry minister said yesterday.

Mr Redwood, who was addressing an FT seminar in London, said the British Government did not want to see the development of a "profligate super state" which would reproduce at European level many of the worst features of community politics that had been rolled back since 1979.

He added: "We have not flung off burdensome government in Britain only to have it reimposed from Brussels. We have not lowered taxes here merely to create room for Brussels to impose taxes from over there.

"We do not believe that spending money on everything from the centre is the answer to Europe's problems. Evidence abounds to show that free trade produces prosperity, highly centralised government yields poverty."

Mr Redwood claimed some people believed that a new European nationalism could now be built and would act as a new focus of loyalties, making national interests a thing of the past. He dismissed the concept as "naive".

Mr Redwood emphasised, however, that the European Commission had a pivotal role to play in the development of Europe by pursuing deregulation and encouraging competition.

PARLIAMENT

Airport scrutiny stepped up after fake bomb inquiry

By Ivor Owen, Parliamentary Correspondent

AIRLINE and airport security staff have been instructed to check radios and all other electrical items regardless of the identity of the passenger in whose luggage they were found, Mr Cecil Parkinson, the Transport Secretary, told the House of Commons yesterday.

Mr Parkinson was discussing allegations of inadequate security at London's Heathrow Airport made by Dr Jim Swire, whose daughter was among the 270 killed when a Pan-Am airliner was blown up over the Scottish town of Lockerbie 18 months ago, and who prompted an inquiry after he carried a fake bomb on a British Airways flight from London to New York.

The Transport Secretary said an inquiry had established "there were grounds for believing" that British Airways staff were insufficiently stringent in checking the luggage of Dr Jim Swire when it included a radio containing a fake replica of a terrorist bomb.

Mr Parkinson accepted that because BA staff knew Dr Swire, they had concluded he was not planning to take an explosive device aboard his flight.

He said the inquiry had established that it was beyond reasonable doubt that BA was aware that Dr Swire and his travelling companion were relatives of Lockerbie victims when they bought their tickets, when they checked in, and when their hold baggage was searched.

Mr Parkinson stressed that the radio had been found, but conceded that a woman member of the security staff, who had recognised Dr Swire, was open to criticism for not taking the action she might otherwise have done.

Mr Parkinson said the 100 per cent screening of hold baggage was the agreed "objective," and the airlines had been asked to submit plans for achieving it.

Mr John Prescott, the opposition Labour Party's spokesman on transport, complained that repeated assurances about airport security had been exposed as inadequate by newspapers, and more recently by Dr Swire.

Regional airports aim to fly high into the 1990s

Paul Abrahams and Tim Burt report on a British civil aviation success story outside the south east

REGIONAL airports are one of the success stories of British civil aviation. Over the last decade, *business people and tourists* have been avoiding traffic jams and crowded airports in the south-east by flying from their local airports.

The combined attractions of proximity and uncrowded facilities have allowed regional airports to increase passenger numbers, on average, by more than 7 per cent per annum between 1980 and 1989. Some airports have more than doubled the number of passengers handled during that period.

However, the main generator of this growth – charter traffic – is now in decline and has fallen by 20 per cent this year. Last year, for the first time, the number of international charter flights outside the south-east exceeded those at the London airports. Luton Airport, for example, relies on charter business for 60 per cent of its income.

Britain's regional airports are reacting by trying to reduce their reliance on seasonal charter traffic, and are busy *marketing themselves* to airlines as destinations for scheduled flights.

Foremost among the regional airports is Manchester Ringway which has enjoyed an average 10 per cent growth over the last ten years. The airport now handles 11m passengers a year and claims to be the 16th busiest international airport in the world.

Mr Gil Thompson, chief executive of the airport, hopes that the build-up in scheduled services will mean the proportion of charter operations at the airport will fall below 50 per cent next year.

Meanwhile, Manchester Airport plans to become a significant destination for intercontinental flights, according to Mr Thompson. American Airlines, Northwest Orient and United have applied for the right to operate scheduled services from the US to Manchester.

Most regional airports regard themselves as feeder airports rather than hubs. The creation of a Eurohub at Brussels' Zaventem airport by British Airways, Sabena, the Belgian airline and KLM Royal Dutch Airlines, should assist the UK regional airports' ambitions. The idea is that businessmen from European regions will be able to fly to Zaventem on to another regional airport and then make the return journey on the same day.

The regional airports are also looking to develop their cargo, maintenance and engineering facilities. Cardiff Airport last month secured its future by winning the race to become the new British Airways maintenance base for its fleet of Boeing 747 aircraft. The £80m scheme could create 1,200 jobs at the airport, which already services aircraft for overseas carriers such as Pakistan International and Gulf Air.

Manchester Airport plans to become a main destination for intercontinental flights.

Mr Ron Gadd, director of the Airport Operators Association (AOA) – *the trade group representing* all UK airports, thinks the single free market could revolutionise air traffic to regional airports.

"There will be a lot more traffic between the UK and the Continent and most airports are developing scheduled services within the *Community*," he said.

According to the AOA, Britain's regional airports have spare runway capacity to handle growth in traffic from 1992, but terminal facilities need to be improved.

A *number of airports* are investing heavily to increase their terminal capacity. Birmingham International Airport is constructing a £60m Eurohub terminal which is expected to open next June. Manchester has started the first phase of a £557m nine-year programme to *construct a second terminal at* the airport.

One of the advantages that regional have over their London counterparts is that expansion is, for the most part, encouraged by local authorities concerned to increase employment opportunities in their boroughs.

A more significant problem for the airports is how the investment programmes should be financed. Most airports remain in local authority control and are at the mercy of possible government cuts on expenditure. Any investment at these airports is under constraint from the public sector financial position.

"We are very much at the mercy of government capping," said Mr Thompson at Manchester Airport. "But we already have a commitment for £330m, which by any standards isn't a small sum of money."

Other airports have solved such problems by moving into private hands. Liverpool Airport recently sold a majority stake in its business to British Aerospace.

One other method of financing airport expansion is to link the development with business parks.

Both Newcastle and Southampton have unveiled ambitious plans for business parks which together represent an investment of more than £1bn. *At Sheffield, a business park is* planned to help finance the creation of a completely new airport near the city.

● Investment in regional airports together with improved public transport and an eventual ban on night flights at Heathrow and Gatwick are the best means of easing pressure on London's airports, according to a policy document issued yesterday by the London Borough's Association, a conservative controlled multi-party organisation.

Hotel group loses faith in American Express

By David Barchard

A GROUP of hoteliers in one of Britain's largest holiday resorts, the "capital of the English riviera", has decided to drop American Express, the *international credit card*.

Sixteen hotels in Torquay, south west England, have decided to stop taking American Express cards after lengthy negotiations with American Express and lengthy consideration of its case.

The hotels, all members of the Torquay Hotel Buying Association, say they are losing heavily because American Express charges retailers around 4 per cent on each transaction, compared to commissions below 1.7 per cent on Credit cards such as Access or Visa.

Mr John Clay, a spokesman for the association, says: "The difference between the Amex charge rate of 3.5 per cent and 4.0 per cent and the rate from Barclaycard costs our consortium a total of £30,000 a year."

The hotel keepers are also unhappy at the time it takes to get their money back from American Express, saying that it can take up to five working *days to obtain* payment, against 48 hours from Visa.

Mr Clay said that some of the hotels in the consortium had already stopped accepting American Express, while others would do so when they issued new brochures.

"American Express has been trying to negotiate with hotels individually and offer promotional features." he said.

"That is not what we are looking for. We want payment."

He declined to say by how much American Express would have to cut its charges to regain business with the Torquay consortium.

A spokesman for American Express said: "It is not news that we are more *expensive* than Visa.

"We have always been the more expensive card. There is a confusion here between price and value for money in terms of bringing in additional customers.

"Our customers spend more and do so more frequently than any other type of customers.

"But if that is the decision the Torquay hotels have taken, we regret it."

Test case begins over Sunday trading laws

A CASE crucial to the ability of local councils to enforce Sunday trading restrictions began in the High Court yesterday amid claims that British law contravenes the European Community's Treaty of Rome.

Stoke-on-Trent and Norwich City councils in central and eastern England are seeking a permanent injunction banning unlawful Sunday trading by under the 1950 Shops Act against B&Q, the DIY retail group, at stores in Hanley and Norwich.

Mr Stuart Isaacs, opening the case for the local authorities in a hearing scheduled to last several days, said defeat for the councils would make Sunday trading law enforcement in England and Wales impossible in practical terms.

The case was the first in which a superior court had to determine the issues arising from a controversial ruling by the European Court last November. "Local authorities everywhere are essentially looking for guidance from this court," he said.

In the case brought by Torfaen Borough Council last November, B&Q argued that the Shops Act was incompatible with Article 30 of the Treaty of Rome. Article 30 prevents quantitative restrictions on imports between member of the European Community.

Retailers, particularly in the DIY sector, claim that the Sunday trading ban reduces their turnover, and results in fewer orders for goods from suppliers in other member states, thereby indirectly restricting the level of imports into the UK from those states.

Eleven local courts referred the question to the European Court, which ruled in November that the Shops Act would not be compatible with Article 30 unless the Sunday trading ban had an *objective* regarded as justified in EC law.

B&Q says local authorities *must call expert evidence* in every single Sunday trading prosecution. Mr Isaacs, however, said this would make the laws incapable of enforcement in the civil or criminal courts.

Mr Isaacs said it was clear that unless prevented by an injunction granted by the civil courts, B&Q would continue to open its stores on Sundays, making criminal prosecutions would be a waste of time and ratepayers' money.

The case continues.

FT LAW REPORTS

Group relief claim must specify surrendered losses

FARMER (INSPECTOR OF TAXES) v BANKERS TRUST INTERNATIONAL LTD
Chancery Division: Mr Justice Harman: June 22 1990

A COMPANY which claims group relief from corporation tax in respect of provisionally specified losses surrendered by specified companies in the same group, cannot displace the order in which the claim is made or replace it by putting a later claim which, though validly made, fails to specify the amount of loss to be surrendered.

Mr Justice Harman so held when allowing an appeal by the Inland Revenue from a special commissioner's decision that Bankers Trust International (BTI) was entitled to group relief from corporation tax in respect of losses surrendered by its fellow subsidiary, Ocean Bulkers (UK) Ltd.

Section 258(1) of the Income and Corporation Taxes Act 1970 provides: "Relief for trading lossees and other amounts eligible for relief from corporation tax may ... be surrendered by ... a member of a group of companies and, on the making of a claim by another ... member of the same group, may be allowed to the claimant company by way of relief from corporation tax called 'group relief.'"

Section 264(1): "A claim for group relief ... (c) must be made within two years from the end of the surrendering company's accounting period to which the claim relates."

HIS LORDSHIP said that by a letter dated December 22 1975, BTI notified the Revenue of its claim to losses of £66,000 and £563,413 surrendered by Rodo Investment Trust and Rodocanachi Leasing, companies in the same group, in respect of the year ended December 31 1973. It said "the above figures are provisional, subject only to agreement of final computations."

That was a claim by BTI to specific losses surrendered by two specific companies for a particular accounting year.

It was followed on February 25 1976 by a letter from BTI's auditors to the Revenue.

In the first paragraph the auditors said that by a group relief agreement between BTI and other group members, including Ocean Bulkers (UK) Ltd, Ocean Bulkers could procure any of its fellow subsidiaries to claim group relief in respect of its losses for accounting periods ending December 31 1973.

In the second paragraph the auditors said that in the year ended December 31 1973, BTI's taxable profits were covered by group relief from Rodo Investment and Rodocanachi, "and therefore no group relief is apparently required in respect of this period."

Nevertheless, they said, "in view of the time limit for lodging a claim to group relief we have been requested to notify you of a possible claim to losses from Ocean Bulkers relating to its accounting period ended February 28 1974."

They said that in asking them to notify the Revenue of the provisional claim BTI wished to protect the interests of Ocean Bulkers under the group relief agreement. They asked that the letter be treated as a provisional claim to group relief from Ocean Bulkers in respect of its accounting period ending February 28 1974. The letter contained no figures in respect of Ocean Bulkers's losses.

Both letters were sent just within the two-year limit provided by section 264(1)(c) of the Income and Corporation Taxes Act 1970.

In May 1988 a special commissioner heard an appeal by BTI against the Revenue's refusal of a claim to group relief based on losses surrendered to BTI by Ocean Bulkers.

He decided there had been a valid claim and that BTI was entitled to choose how it allocated profits against losses of one or other of the three companies in respect of which claims had been made.

The Revenue now appealed.

The matter turned on the documents which made the various claims. The letter of February 25 appeared to contain a paragraph by way of information referring to the group relief agreement.

In the second paragraph it said BTI's taxable profits were covered, "therefore no further group relief is apparently required." That plainly stressed that on the figures available no further group relief was needed or could be claimed but, by "apparently," it reserved the position that since BTI's profits were not settled (they were not settled until 10 years later), there might be delay and different figures.

Accepting that that was a valid claim, what was it a claim for?

Was it a claim for group relief on Ocean Bulkers's losses if it became necessary to use such a claim in addition to the claims already made in respect of the Rodo Investment and Rodocanachi losses; or was it a claim for group relief on Ocean Bulkers losses, regardless of relief already claimed?

Mr Moses for the Revenue submitted that the claim was made in terms which were comprehensible and understandable, and it was plainly adding a back-up or top-up claim to the claims already made.

Mr McGregor for BTI argued that the letter must be read within the "matrix of surrounding facts known to the parties" (Lord Wilberforce *Prenn v Simmonds [1971] WLR 1381*), and that when one saw the first part of the letter, one could see that the Revenue reading it and the auditors writing it must have known there was a prospect that Ocean Bulkers would be requiring BTI to make a claim.

The letter must be read in the matrix of the facts known, but there was nothing which conveyed that the Revenue or auditors knew Ocean Bulkers might be entitled to insist that BTI made a claim. The claim made, being plain in that form, must be given effect in accordance with its terms.

Mr Moses submitted that a claim when made had to be a claim in respect of "amounts." He referred to section 258(1) where the relief was for trading losses "and other amounts," carrying a plain indication that the trading losses were "amounts" which were to be relieved; to section 259(1) which referred to the "amount" of the loss which might be set off; and to section 263(1) which provided that relief should not be given more than once in respect of the same "amount."

He submitted that that was all consistent with there being a requirement for an amount.

He said the taxpayer making the claim must specify what he was claiming in respect of and from whom, and that when he did that he tied himself to that set of priorities and order of the claim. The fact that profits might not be known and losses might not be settled until long after expiry of the two years had nothing to do with the proposition that the losses claimed had to be losses actually existing when the claim was made.

When one had a claim such as the February 25 letter, he said, first there was the difficulty that one was not sure of the amount of the claim, but second, there was plainly an intent to rank the claims in order according to the documents.

What in fact happened later was that BTI put in a computation which showed that they sought to utilise £550,000 of Ocean Bulkers's losses and no part of Rodocanachi's losses at all. That, said Mr Moses was not a claim which had ever been advanced, and since one must make a claim and a claim was made, one could not now go back and make a different claim.

If that were so said Mr Moses, the Revenue would get no benefit whatever from the statutory time limit of two years, and it was impossible for anyone to know what claims were being made within the two years if the taxpayer could later go back and change claims already made.

Mr Moses's argument was plainly correct. His construction of the letter was correct.

The appeal was allowed.

For the Revenue: Alan Moses QC and Launcelot Henderson (Inland Revenue solicitor).

For BTI: Harvey McGregor QC (James G O'Brien).

Rachel Davies
barrister

MANAGEMENT: The Growing Business

First, get the team right at home

Charles Batchelor starts a new series by examining the difficulties of finding the right staff for overseas offices

Ask Carl Hanauer, founder of Abacus Self Storage, a London-based operator of secure storage warehouses, how he recruited managers for a new warehouse he opened recently in Nice, in the south of France and he replies: "With great difficulty."

Hanauer, whose two-year-old business has grown to turnover of £1m, admits to making "two errors in a row" when he took on a marketing manager and an administrative manager. The marketing manager, a Frenchman, sold himself well to Hanauer but subsequently appeared to put little effort into selling Abacus's services. Since a good salesmen should not spend too much time in his office it took Hanauer some time to realise that little was being done out of it.

"It is difficult enough to assess people when you are interviewing them in their own language but when you are dealing with someone whose first language is not English it is almost impossible," says Hanauer, whose own French was limited.

The administrative manager, also French, had been spotted by Hanauer working in a hotel he had stayed at in Nice. Hanauer had been impressed by his efficiency at dealing with customer complaints. The man agreed to join Abacus but found after a while that he missed the hotel trade and that he did not get on with the marketing manager.

After the marketing manager had been sacked, the administrative manager was asked to take on his role. But his lack of selling skills became apparent and he also found he did not like the isolation of working on his own and left.

Hanauer has now installed a third manager and hopes this arrangement will work out. Hanauer's recruitment campaign was not just based on chance meetings – he used a local consultancy Acces Consultants, of which he speaks highly, to liaise with local recruitment agencies – but even so failed to find the right people.

Opening up in Europe

Part of the problem, he says, was that Abacus's secure storage system was hardly known in France so there was no local industry from which to recruit experienced people. But even businesses in established sectors can have great difficulty in finding staff to run their operations.

As British companies expand their activities into continental Europe to take advantage of the dismantling of trade barriers, choosing the right staff will be crucial to their success. "It is the people issues not the technological issues which will require most of our attention as we focus on European expansion," comments Rob Harris, managing director of NDC International, the 30-person-strong European arm of National Data Corporation of the US.

For many small businesses, selling within continental Europe begins not by taking on people in the foreign market but by putting a team in place in the home base. Adventec, a designer and manufacturer of industrial heating systems which spun out two years ago from research at Aston University, Birmingham, has recently taken on marketing executives for France and West Germany.

Toby McLeod, in charge of marketing in France, says he was recruited for his language skills – he has a degree in French – and for his commercial experience as a management consultant.

Adventec, which employs 15 people and has sales of £900,000, realised that language skills would be essential if it were to break into continental markets, says McLeod, whose tasks range from translating to selling. "Technically the product was good but the sales people could not put their ideas across to potential French customers who did not speak good English," he comments.

Unfortunately for Britain's export efforts, executives with the right mix of language skills and experience of doing business in continental Europe are in very short supply. Senior executives (those aged 45 and over) with an understanding of the European business climate hardly exist in the UK, according to a recent study* by Shaun Tyson of Cranfield School of Management of how British companies were preparing for 1992. Many British companies also place a low priority on language training for their staff.

"Only a minority run courses on cultural and background information which will allow managers to understand the social and business context of the markets in which they are working," Tyson states.

This shortage of suitable British managers is one reason why many companies recruit non-British nationals to run their continental operations. But even if enough Britons were available, most managers with experience of running businesses on the continent believe that European subsidiaries must be run by nationals of the country in which they are based.

"It is naive to imagine you can put an Englishman in charge of a French company or vice versa," says David Kay, chairman of GKR, a London-based executive search company with 50 professional staff. "Despite all the talk of a Single European Market national cultures will be different for a long time."

In the early stages of a company establishing itself in a local market, employing local staff can get the business off to a far quicker start. Willett, a High Wycombe, Buckinghamshire-based manufacturer of coding and labelling equipment, has expanded into several countries by acquiring its distributors. "Your distributor is not necessarily the person to take you on to the next stage but he allows you to hit the ground running," says Allan Willett, chairman and chief executive of the £30m-turnover company which employs 450 people.

Taking over your local distributor also overcomes the problem of persuading local managers to join a company they may never have heard of. Locals may doubt whether the foreign company is really committed to their market, says Valerie Fairbank, a management consultancy partner at accountants Peat Marwick McLintock. They may also wonder what their career prospects would be in a smaller company and whether the top jobs would be reserved for nationals from the home country.

The qualities which the incoming company will want from the managers it hires include a successful record of managing a business in the same or a similar market; the ability to work without supervision; and fluency in English as well as their own language. "You need someone with a greater degree of self-reliance than you would require for a major multinational," says Valerie Fairbank.

Broad international experience may also be required if the foreign subsidiary is active in a number of countries but it will not be necessary if the company operates mainly in its own national market. Most small and medium-sized businesses do not require a high-powered "Euro-executive" to run their local operations.

In taking on managers companies will have to take into account local employment law and customs. Abacus's Hanauer says he was only able to avoid making sizeable redundancy payments in France because, in the case of the marketing manager, he had clear evidence that the man had been failing to do his job. By allowing a poorly-performing manager to stay in place for more than three months in, for example, France, could involve the incoming company in substantial payments, he warns.

Once a company has established operations on the Continent it must be careful how it handles its managers. GKR, which has built up a Europe-wide network by acquiring several small head-hunting firms in West Germany, Spain and Italy, says it helps its local subsidiaries to recruit managers but it leaves the final choice to the local management. Candidates would be vetted by Harris and the UK-based manager who co-ordinates GKR's European network "but the chances of us saying 'No' are very small," comments Harris.

"The most common reason for an appointment not working out is that the local executive does not feel he has sufficient independence to make decisions," says Fairbank. "Strategy should not be imposed when head office is not familiar with the local market," she warns.

In the crucial area of finance, though, head office must exercise tight controls. Colorgraphic, a USM-quoted printer of direct mail material, makes sure that it controls the appointment of a senior finance man to any company it acquires. "Private companies often skimp on financial controls and it is important to have someone on the financial side," says Nick Winks, chief executive of the company, which has sales of £54m and a workforce of 900. He also insists that the financial appointee shows allegiance to the new owners and not just the local management.

Colorgraphic has just recruited a Dutch finance director for its subsidiary in the Netherlands despite a certain amount of opposition from the local management, which was not convinced that such an appointment was necessary.

At first the Dutch management appeared to drag its feet in producing a shortlist of candidates and all were rejected in the first round. But a second trawl produced someone who was acceptable both to the Dutch management and to head office in Leicester. "We insist that the recruiting process is thorough but it is important that local management feels it is someone they have chosen," comments Winks.

The thoroughness of Colorgraphic's approach has meant that it has taken the company a year to find someone who it hopes is the right person. But, as Abacus and many others have found, there is no short cut to building the right management team.

*1992: An Investigation of Strategies for Management Development.

Carl Hanauer in his secure London store: finding a manager in France proved difficult — Trevor Humphries

'Selling out is often the only answer'

Charles Batchelor on small firms' growth

From its origins in a garage in the early 1970s one small British manufacturer of scientific instruments managed to finance expansion from retained profits. Despite all the efforts of its management, however, the company faced three seemingly insuperable barriers to growth.

It lacked the resources to develop its own computer systems; it was unduly dependent on an overseas supplier; and it was unable to break into the US market because its products were not sufficiently competitive. These problems were compounded by a new product which suffered from technical and design failings.

By 1978, the company, which then employed 20 people, appeared to have reached a limit to its growth. It was helped out of this impasse when it was acquired by a larger company. This allowed the smaller firm to finance a new research and development programme and invest in production capacity.

With the help of its larger parent the smaller company has since grown to turnover of £11m (in 1987) and a workforce of 245. Seventy per cent of its production is exported and it spends 12 per cent of turnover on R&D.

Selling out to a larger company is often the only option available to a large number of small technology-based companies in Britain, according to this and other case histories cited in a study* of the barriers to small firms' growth published last month by the government's Advisory Council on Science and Technology.

Smaller firms – those employing between 50 and 500 people – play a vital role in translating new scientific and technological knowledge into economic wealth and provide the pool of companies from which major international businesses of the future are expected to emerge, it notes.

Yet smaller firms are more constrained in fulfilling this role in the UK than in other European countries and the pool of companies with prospects for high growth is actually shrinking.

The report identifies the main barriers to growth as a lack of strategic management skills among managers, an inadequate supply of external risk capital and the limited encouragement given to firms to develop and expand. Management training is often neglected while the venture capital industry invests two-thirds of its funds on management buy-outs rather than on backing new processes and products.

Government policy aimed at supporting collaborative R&D a long way from market application is the opposite of what growing firms want, comments Stan Metcalfe, head of the study team.

The council recommends that:

- The government investigate ways of stimulating corporate venturing whereby large companies take equity stakes in small innovative firms.
- The Business Expansion Scheme be refocused to help businesses too small to raise venture capital funds and that property-related investments be excluded.
- The government establish two competitive schemes to support excellence in smaller companies. The Genesis programme would allocate government R&D contracts to smaller firms while the Accelerator programme would help smaller firms faced with large and risky investments in R&D or marketing.
- A new option be created under the Enterprise Initiative to help firms protect and exploit their intellectual property.
- Management training be improved by regional competitions to identify and fund the application of best training practice.

However, in a six-page response included in the report, the government rejected many of the proposals while suggesting that others would be covered by reviews of existing programmes already under way. Many of the problems of growth were "the unavoidable challenges in market, management and technology," it said. Managers had to face these challenges and take their own decisions. Any government action would need to work with the grain of market forces.

*The Enterprise Challenge: overcoming barriers to growth in small firms. HMSO £8.90.

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The principal features of the business are:-

- Comprehensive national network of 14 depots with 700,000 square feet of warehousing and 700 employees
- Vehicle fleet in excess of 300 units
- 1989 turnover approximately £25 million

Clients base including many blue chip companies in the food and drink sector

Interested parties wishing to visit the premises or requiring further information should contact the Joint Administrative Receiver John F Powell or Neil Tombs at the following address:- Cork Gully, 43 Temple Row, Birmingham, B2 5JT.
Telephone: 021 236 9966 Facsimile: 021 200 4040 Telex: 337892

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered accountants in England and Wales to carry on Investment Business

Cork Gully

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Business For Sale

The commercial vehicle, contract hire, rental and engineering business of the above company is offered for sale.
Through its trading names Rockwood Rentals and Beeline Truck Rental it provides nationwide truck rental coverage. In addition the contract hire and engineering divisions provide extensive computerised vehicle maintenance and fleet management services through regional offices.

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- Contract hire fleet of vehicles and trailers,
- Projected turnover for 1990 of £12 million
- 19 strategically located and well equipped maintenance units
- 100 experienced staff

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Rockwood Secure Distribution Limited

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Through its divisions,Bonds Delivery Services and Bees Security Distribution it provides high security distribution services for valuable products ie tobacco, wines, spirits and office automation equipment. Its B.V.S. International division specialises in the transport and installation of computers and photocopiers.

The principal features of the business are:-

- Nationwide network, 19 depots, 325 vehicles and 700 employees 390,000 square feet of warehousing
- Annualised turnover of approximately £20 million with potential for considerable growth
- Excellent Blue Chip client base.

Interested parties wishing to visit premises or requiring further information should contact the Joint AdministrativeReceiver John F Powell or Neil Tombs at the following address: Cork Gully, 43, Temple Row, Birmingham, B2 5JT,
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(In Administrative Receivership)

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- Other properties available for sale.
- Projected turnover approximately £5m and £10m for the year to 31 March 1991 respectively.
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- Specialised work force.

Fur further details, contact the Joint Administrative Receiver, Ralph S. Preece at the address below.

Eleven Albion Street, Leeds LS1 5PJ.
Tel: 0532 444741 Fax: 0532 448942
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- arrangement of lease finance for printers.

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- stock of printing presses – principally Man Roland and Heidelberg
- stock of pre and post press equipment
- the companies' interests in a portfolio of approximately 230 leases covering equipment with a value of approximately £100 million. The companies have substantial residual interests in the leased equipment.

For further information
please contact Paul Horn
or Tony Brierley on:
Tel: (071) 438 3000
Fax: (071) 438 3771

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SALMET INTERNATIONAL LIMITED
(IN ADMINISTRATION)

For sale as a going concern, the business and assets of Salmet International Limited in administration, an established manufacturer of intensive poultry equipment, shelving, racking and containers, based in Herefordshire.

- 27,500 Sq Ft leasehold premises in Leominster.
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Enquiries should be addressed to the Administrator, L. Harris C.A. at Leonard Harris & Company, Chartered Accountants, Lancashire House, 47 Peter Street, Manchester M2 3NG. Tel: 061-834 9825 Fax: 061-833 1609

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Manstitch Limited
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Warrington

The above company's main activity is the contract manufacture of leisure and sportswear garments.

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- Prestigious customer base

For further details please contact the Joint Administrative Receivers:

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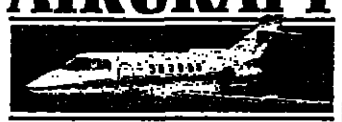

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AUCTIONS

NEXT AUCTION

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The Joint Administrative Receivers offer for sale as a going concern the business and assets of Precision Undersurface Limited, high quality screen printers onto plastic.

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- Leasehold premises in High Wycombe
- "Blue-chip" customer base
- BS 5750 and Ford Q1 equivalent standards
- Skilled workforce of 70
- Turnover approximately £3 million

For further details, please contact the Joint Administrative Receiver, Jason Elles, Ernst & Young, Apex Plaza, Reading RG1 1YE.
Tel: 0734 500611. Fax: 0734 507744.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

CONTRACTS & TENDERS

Invitation

KINGDOM OF SAUDI ARABIA
MINISTRY OF PETROLEUM AND MINERAL RESOURCES, DIRECTORATE GENERAL OF MINERAL RESOURCES

for applications for Exploration Licence

In accordance with Decision No. 99 of the Council of Ministers dated 11.6.1410AH (corresponding to the 8th January, 1990), the Ministry of Petroleum and Mineral Resources of Saudi Arabia, represented by the Directorate General of Mineral Resources (DGMR), invites applications from companies with relevant exploration and mining experience for an Exploration Licence over an area centred on the Jabal Sayid copper prospect, 315 km due northeast of Jeddah. The Licence will be granted in accordance with the provisions of the Mining Code of Saudi Arabia, with particular account being taken of the merit of the program proposed by the applicant and his technical and financial competence as indicated by relevant previous experience. The Licence will entitle the holder to the exclusive right to a Mining Lease (or Leases) under terms and conditions specified in the Licence, provided all obligations defined by the Licence and the Mining Code are met.

Exploration at Jabal Sayid by the DGMR has included 46,000 m of diamond drilling, and 3,448 m of underground development in the form of a 2,120 m decline to 300 m below surface, and drifts and cross-cuts totalling 1,328 m. Orebody No. 4 has been demonstrated to contain 16.9 million tonnes of ore grading 2.6% Cu, including 9.9 million tonnes grading 2.8% Cu, amenable to conventional flotation. The orebody is open at depth.

An information package, which includes:
a) a description of the geology and mineral resources of the region;
b) a summary account of the exploration history of Jabal Sayid prospect, and a listing of available reports;
c) a summary account of the resource potential of Jabal Sayid prospect;
d) a copy of the Mining Code of the Kingdom of Saudi Arabia;
e) an application form for an Exploration Licence: the form includes:
1) a description of the procedures to be followed if the applicant wishes to,
i) consult the detailed reports available in the Technical Library of the DGMR in Jeddah,
ii): make a site visit, and
iii) make formal application for an Exploration Licence;
2) the provisions which will apply to the licence and an outline of the main terms and conditions which will apply to any Mining Lease:
is available on payment of a fee of 5,000 Saudi riyals either in the form of a certified cheque or a bank draft drawn on or issued by a bank registered in the Kingdom of Saudi Arabia. In the name of the "Directorate General of Mineral Resources" from:

Deputy Minister for Mirteral Resources, Directorate General of Mineral Resources, P.O. Box 345, Jeddah 21191, Kingdom of Saudi Arabia

Formal applications for an Exploration Licence, accompanied by a detailed technical proposal as specified in the Mining Code, must be submitted to the above address no later than the 1st Jumadi Awal, 1411 (corresponding to the 18th November, 1990)

This advertisement does not imply any obligation on the part of DGMR, nor may it be used as the basis of any legal right or claim against DGMR.

BUSINESSES FOR SALE

Tuesdays, Saturdays and now FRIDAYS
For further information please contact

Gavin Bishop on
071-873 4780
or
Sara Mason on
071-873 3308

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Invitation for Tenders
Government of the Republic of Cyprus

Consultancy services for the implementation of the project "Strengthening the Competitiveness of Cyprus Industry"

The Ministry of Commerce and Industry invites tenders for the provision of Consultancy Services for the implementation of the above Project. The Project is financed by the United Nations Development Programme and aims primarily at:

(a) creating strategic planning capability within the government with regard to long-term industrial development
and
(b) enhancing the competitiveness of Cyprus Industry with emphasis on industrial design, technology, management and inter firm co-operation.

Further information and copies of the Tender Documents can be obtained from:
The Director of Industry, Ministry of Commerce and Industry, Nicosia, Cyprus, Telephone 02-303441 ext. 180/or 155, or tel.: 02-452418, Telefax: 366120, Telex: 2283

Closing date for the submission of tenders is 31st August 1990.

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Internal space: 17,642 square feet
Rent & Rates : £41,000
Asking Price : £95,000

FOR FULL DETAILS PLEASE CALL
PATRICK MACASKIE ON 081-740-8629

TECHNOLOGY TRANSFER

The Financial Times proposes to publish this survey on:
31st August 1990
For a full editorial synopsis and advertisement details, please contact:
Antony Carbonari
on 071-873 3412
or write to him at:
Number One
Southwark Bridge
London
SE1 9HL

A guardian for healthy heart cells

A PREVIOUSLY unsung product of genetic engineering, believed to have immense therapeutic potential for heart attack victims, will begin clinical trials next year. It is expected to prevent the self-destruction which takes place in a heart following coronary thrombosis.

A heart attack restricts the flow of blood to the heart muscle, killing and injuring its cells. These are "tagged for removal" by agents called complement proteins, released as part of the body's natural response to the heart attack, and are promptly scavenged by white blood cells. But some of the damaged heart cells attacked by the white cells would otherwise recover.

T Cell Sciences, a biotechnology research company of Cambridge, Massachusetts, has genetically engineered a natural inhibitor which it believes can protect damaged heart cells while they recover.

In part the body's immune system, known as the complement system, a group of 18 proteins both destroy cell membranes and signal to other parts of the system that certain cells should be destroyed. Until recently, cobra venom was the only known agent which could block this complement system.

Patrick Kung, the company's scientific director, set out to inactivate these complement proteins in order to protect injured, yet healthy, heart cells. His complement blocker, code-named CR1, protects injured cells from being treated as dead.

Late last year T Cell Sciences signed a development and worldwide marketing agreement with SmithKline Beecham, which believes CR1 will correspond to its new thrombolytic or "clotbusting" drug Eminase. Taken together, Eminase would break down the blood clot that caused the heart attack while CR1 prevented any further loss of heart muscle.

James Grant, chairman and chief executive of T Cell Sciences, expects CR1 to be used as an anti-inflammatory drug and to promote healing in heart surgery. He even speculates that CR1 may protect the heart against further attacks.

David Fishlock

Lynton McLain sees the changes which perestroika has brought to Kiev's Paton Welding Institute

The chance to show its metal

Engineers are heroes in the Soviet Union, and sometimes politicians too. Nikolai Ryzhkov, the Soviet Prime Minister, is a chief welding engineer and former director of Uralmash, the Soviet machine tool maker.

The transition of Soviet technology to a market economy depends on the survival of reformers like Ryzhkov, but changes in the way Soviet technology is managed and exploited is already under way.

The E.O Paton Electric Welding Institute in Kiev is a vast organisation by western standards, with 10,000 scientists, engineers and other staff and an annual budget of 70m roubles, about £70m. The Welding Institute near Cambridge, the nearest British equivalent, has 400 staff and an annual turnover of £13.5m.

The Paton Institute is part of Soviet industrial folklore. Its founder, the late Evgeny Paton, was a Hero of Socialist Labour and a member of the Academy of Sciences for his pioneering work on submerged electric arc welding in the 1930s. This was deployed for military purposes and bridge building. The Soviet T34 tank was the only allied tank of welded construction during the Second World War.

Before perestroika, the Government decided which field of technology the institute would explore. At least twice it dictated an expansion of the institute's technical interests, but welding remained its main activity until 1965. The state then decided that the institute should develop into electrometallurgy. In 1984 the Government decided that the scope of the institute should increase, to include the coating and surface treatment of metals and other materials and the creation of new materials.

Bevan Braithwaite, chief executive of Britain's Welding Institute, says he is impressed by the innovative way the Soviets use welding processes. "They have some very imaginative applications – such as the use of welded sections to build up a diesel engine crankcase – but not all of these are appropriate to western industry," he says. The crankcase would be cast as a single unit in the West.

One reason for the difference is that the innovative Soviet application of processes has been necessary "to suit their particular industrial circumstances, such as the state of the Soviet steel industry," says Braithwaite. This is thought by western observers to produce steel that is not always of the same consistent quality as western or Japanese steel.

The Paton Institute has made a speciality of the surface treatment for metals. These processes can create tough new surface properties on a steel or other metal alloy which would otherwise not have the required properties. Advanced surface treatment techniques, such as electron beam evaporation, are used on a production scale for treating turbine blades. The technique allows designers to make a surface that matches exactly the properties required.

Such activities have given the Paton Institute a central role in Soviet science and technology, including the space programme. The world's first electron beam welding gun for use in space was developed here (see inset). It is no bigger than a domestic electric drill.

This state involvement in the work of the institute will continue, "but it will be decreased constantly," says Konstantin Yushchenko, deputy director of the institute and vice-chairman of the National Welding Committee. The institute is already considering a plan for companies to pay a membership fee for access to Paton technologies.

The Soviet Government finances research and development on the basis of 18 state programmes, ranging from ecology to space to power engineering. One programme is for the exploration of advanced materials, joining technology and surface coatings. Yushchenko says the Paton Institute won the work in competition with other research and engineering organisations in the Soviet Union.

He welcomes the new atmosphere and the growing involvement of the institute with the West. "The Paton Institute now is fully free in making any agreement, any contract, any joint companies and any joint laboratories without interference from any outside body," he says. It is free to earn money from any source, but in the case of Soviet work the state decides the price of a contract.

A Soviet cosmonaut displays electron beam welding in space

The institute has even signed agreements with the welding institutes of France, the US, Spain, Canada, Japan, Germany as well as the UK. It has agreements with the Breda company of Italy and Tampere University of Technology in Finland for proposals to participate in Europe's Eureka and Euram (European advanced materials) programmes.

The agreement with Britain's Welding Institute is the first to call for the exchange of six young scientists to carry out research in such areas as: electron beam welding; automation of argon-arc weld formation processes; welding of structural ceramics, equipment and processes; welding of polymers; weldability of metals and development of welded joints to relieve residual stresses.

The Paton Institute has already formed a foreign trade company. "We are going to increase drastically its agreements to allow the maximum exploitation of our scientific potential," Yushchenko says.

The work of the institute is in four broad areas: materials and welding; processes such as electron beam and laser work; strength of materials; joints and non-destructive testing. It also has several "engineering centres," where it seeks to commercialise the technology it has developed. These are co-operative, with the institute working with factories from across the country.

In addition, the institute has various pilot plants, making saleable products ranging from welding rods to electrical control equipment for welding. This is in line with its principles that "all its scientific work should produce products, that do not earn, as it were, wooden roubles – but good business."

The institute has little expertise in the economics and costs of welding and other joining processes – "we have practically no such specialists," Yushchenko says. This makes it difficult to evaluate one welding or joining technique against another. He is discussing with the Welding Institute the possibility of forming an International Joining Technology Business Fellowship with industrial or commercial sponsors to study the problem.

WELDING and coating techniques which the institute is developing include:

- **Electron beam welding in space.** The institute has pioneered techniques for processing metal in space. A miniature electron beam gun has been used to braze, weld, cut and coat metal with improved crystal structure in the near zero gravity of space.
- **Magnetic impulse welding.** This technique uses a capacitor to accumulate energy, which is then discharged around the metals to be welded. The institute has tested the magnetic pulse welding of similar and dissimilar metals. It is suitable for mass production.
- **Electron beam welding.** Electron beams can weld up to 100 times faster than any other process and are well suited to welding thick metal components. The institute has three electron beam welding machines, of 50 kW, 60 kW and 100 kW, the latter able to weld components of to 5,000 cubic metres. The Soviets are experimenting with local vacuum welding for use on metal parts that cannot be handled in the large vacuum chamber.
- **Magnetron sputtering.** This is a technique for coating surfaces, using deposition of particles in a vacuum. The institute says it is able to deposit layers down to 5 microns (thousands of a millimetre) thick and is producing commercial quantities of printed circuit boards up to half a metre square using the technique.
- **Electron beam evaporation.** Another coating technique, suitable for precision coating by the creation of microlayers of materials, such as ceramics and copper, down to one micron thick.
- **Explosive welding and cutting.** The Paton Institute claims to have the only explosion welding chamber in the world. This is a heavy steel dome structure with an external diameter of 11 metres and an internal diameter of 8 metres. It is used for welding steel to copper for linear motor technology. The chamber can handle up to 200 kilograms of plastic explosive when sealed. Shaped charges of explosives are used to cut holes in pipes. They were also used to destroy Soviet missiles banned under the Intermediate Nuclear Forces Treaty with the US.

Pressure placed on the Unix warriors

By Alan Cane and Louise Kehoe

Some of the largest organisations in the US, impatient with the rate of progress in the development of "open" computing systems, have formed a pressure group to exert more influence on computer manufacturers.

The coalition involves both industrial and government agency computer users. Known as the "Houston 30" after a recent meeting in Texas, the group includes General Electric, General Motors, Du Pont, McDonnell Douglas, Hughes Aircraft, Eastman Kodak and Nasa.

Open systems, which follow common industry standards and avoid manufacturers' proprietary designs, will make it possible to connect together more easily computer systems from different manufacturers and to run the same software on computers of different architectures.

The industry is slowly beginning to accept that the common operating system will be based on AT&T's Unix design. It is divided, however, over two versions of Unix. One, Unix V.4, is being promoted by Unix International, whose members include AT&T and Sun of the US and ICL of the UK. The other, OSF1, is being developed by the Open Software Foundation funded by International Business Machines, Digital Equipment and Hewlett Packard of the US and Siemens of West Germany among others.

The fear among the manufacturers is that one of the dominant partners in either group might attempt to hijack the Unix standard and control its development. So far, efforts by the two groups to find common ground and sink their differences have come to nothing. Mike Saranga, an IBM senior manager, said this week that agreement between the two groups had proved impossible because AT&T would not yield control of Unix.

The argument cuts no ice with customers – principally government agencies and large corporations – who see powerful financial advantages in open systems and are becoming increasingly frustrated by the slow rate of progress. Unix V.4, which brings together the best features of existing flavours of Unix, became available this year. ICL made it available on its DRS 6000 high-performance workstation, launched in January this year. The Open Software Foundation's OSF1, based on an IBM version of Unix called Aix, is expected later this year.

The Houston 30, however, wants to see faster progress. The group's efforts were endorsed last week by the Open Software Foundation. "The critical factor in open systems computing is not technology for the sake of technology," said Chuck Reilly, OSF vice president of operations, "nor is it competition among standards organisations. It is meeting the needs of users.

"We are excited about the opportunity to share information and work with a coalition of end-user companies to develop a platform that is aligned with their requirements. An end-user coalition will either assure we are on the right track or help us make adjustments early in our processes."

The principal stumbling block to the rapid spread of Unix has been a shortage of applications programs, but that is changing rapidly, according to Peter Cunningham, president of Unix International. He says there are now some 15,000 applications available to run on Unix System V of which some 55 per cent are commercial applications rather than the scientific and technical programs for which Unix was originally written.

By comparison there are some 40-50,000 applications available for MS/DOS, the dominant personal computer operating system. Unix International is now involved in an aggressive $20m programme to double the number of applications available for System V in the next two years by providing resources to enable software developers to convert programs from operating systems such as DOS and OS/2 to Unix V.4.

Saranga is sanguine about battle, believing that competition is beneficial in the evolution of technology: "Giving customers the choice between two versions of Unix should in no way affect the industry negatively."

FINANCIAL TIMES SURVEY

THE BAHAMAS

■ The country needs to diversify its economy, but lacks the means 2

■ Real issues, and not corruption, will be the election issues 3

Tuesday July 10 1990

The two economic lynch-pins, financial services and tourism, are losing business to other Caribbean nations, says Tim Coone. A whiff of the drugs scandal remains in the air. And the opposition is preparing its challenge for the elections that many observers expect next year.

Paradise not quite lost

LIKE the name of the world's largest cruise liner that calls regularly at Nassau port, Fantasy is what one comes to the Bahamas to experience.

It is where actor-millionaire Sean Connery, as the fictitious secret agent James Bond, battled with a megalomaniac millionaire who, from his tropical island fiefdom, was setting out to control the world.

The reality is not so different. Officials from the US Drug Enforcement Agency (DEA) do battle here with some of the world's most dangerous and powerful individuals – the Colombian drug barons. Carlos Lehder, one of the Medellin cartel leaders, once ran a smuggling operation out of Norman's Cay, one of the 700 assorted islands and keys in the Bahamas.

Like a set from one his films, Mr Connery's luxurious house on the exclusive Lyford Cay nestles next to a championship golf course.

As with all fantasies however, the reality never quite lives up to the dream.

The cruise-ship visitors are complaining. Of the 3m tourists who visited the Bahamas last year, 7 per cent lodged a written complaint. Drugs, crime, falling standards and high prices together have tarnished the sparkling image of this paradise in the sun.

The Prime Minister, Sir Lynden Pindling, who at the head of the Progressive Liberal party (PLP) led the Bahamas to independence 17 years ago today, has now been head of state for 23 years. He has overseen an economy that has grown steadily over two decades, but now he faces a stiff challenge in the 1990s.

The prolonged boom is faltering. Government finances are running into troubled waters. The two lynch-pins of the economy – tourism and financial services – are both beginning to lose out to fierce competition from other Caribbean nations. Drug money, once the oil that lubricated the freewheeling cogs of the Bahamian economy, is drying up.

On top of that, the taint of corruption has lingered on around the Government ever since a 1984 Royal Commission of Inquiry into drug smuggling traced corruption to cabinet level and pointed out financial irregularities.

Mr Hubert Ingraham, a one-time PLP ally of Sir Lynden's, who abandoned the party in protest at the corruption scandals and was recently elected head of the opposition Free National Movement (FNM), is preparing his challenge.

"The Government has failed miserably to diversify the economy in any significant way," said Mr Ingraham. "Jobs are not being provided for the growing number of school leavers. Other than in banking and tourism, it has failed to train a skilled workforce to keep the economy moving ... We believe people are ready for a change."

Elections must be held before 1992. But that will be the 500th anniversary of Columbus's landing in the Bahamas, marking the discovery of the Americas. Most pundits therefore think the elections will be held next year, so as not to interfere with a campaign to attract a record number of tourists in 1992.

In the intervening period, Mr Ingraham hopes to break the grip the PLP has on a loyal black majority, and to change the image of the FNM as a "white-rule" party and its traditional association with Bahamian high society. "It will be a more people-orientated party, broad-based and involved in all sectors. We will offer a clear choice; either a change, or a continuation of things as they are."

His intention is to open up the Bahamas to more foreign investment, especially in agriculture and industry, which Bahamians themselves have shown little interest in developing.

Freeport, on Grand Bahama Island, he sees as "the industrial capital of the Bahamas. It has all the infrastructure in place but needs promotion and incentives." Petrochemicals, he said, was a sector that could be developed, "to make use of the limited provisions of the Caribbean Basin Initiative." A mothballed refining facility already exists on Grand Bahama Island.

Sensing its past neglect of agriculture and industry, the Government, through the Bahamas Agricultural and Industrial Corporation (BAIC), is courting Taiwanese interest in agricultural and fisheries projects. For the Taiwanese, the Bahamas offers a potentially sympathetic voice within the Caribbean Economic Community (Caricom) and the Commonwealth, as well as the Non-Aligned Movement, the Organisation of American States and the UN. A few hundred million dollars' of development aid, just pocket money for the Taiwanese, would represent a major investment in the Bahamas.

The Israelis are also reported to be interested in developing agro-industry projects on the outer Family Islands, using cheap Haitian labour.

The problem of illegal Haitian immigration has meanwhile grown to alarming proportions, demanding a solution. Estimates of illegal immigrants fleeing the dire economic and political conditions of the Bahamas' south-eastern neighbour range from 40,000 to 75,000.

The Bahamian population is only 250,000. One diplomat said: "If the rate of illegal immigration were to be sustained through this decade, without deportations, Haitians could become a demographic majority early in the next century." The pressure on health and education services, and public utilities already thinly-stretched by demand from the tourism sector, would be become unsustainable.

Racial feelings are re-emerging. Parents in the town of Spanish Wells, at Abaco island, recently withdrew their children from school in protest at the growing numbers of Haitian children attending classes and who are unable to speak English.

Another close island neighbour, Cuba, poses a different threat, albeit a purely peaceful one. If Cuba's fast-growing tourist industry were to be opened to the US market, the Bahamas could suffer very heavily. Some government officials see that possibility just a couple of years distant, and admit there is little the country can do to face the problem in the time available, other than to improve tourist industry standards and reduce prices. There have been growing contacts between the two countries in the past two years, and a visit by Sir Lynden to Cuba in the near future is not ruled out.

Such a move would be in keeping with Sir Lynden's sometimes testy attitude to the US. This has been encouraged by anti-drug sleuths in the US Congress, who regularly put the Bahamas in the dock for drug-smuggling and money-laundering, and attempt to deny the Bahamas the necessary Congressional certification for US approval of economic assistance and multilateral loans.

The Bahamians feel unfairly accused. Mr Randy Daniels, Sir Lynden's spokesman, said: "We do not get credit for the efforts we are making to stop the drugs flow to the US."

The US Coast Guard now operates freely in Bahamian waters to track down drug-traffickers. Its helicopters can be seen overflying Nassau. Two US-supplied aerostats – tethered ballons with a downward-looking radar with a radius of 200 miles – have recently been installed in the Bahamas, and have made the spotting of likely drug-carrying light aircraft easier. The result has been a marked fall in cocaine seizures in the past two years as the Colombian cartels have rerouted their supply lines into the US.

It is thought by DEA officials that 70 per cent of the cocaine smuggled into the US now goes via Mexico, not the Bahamas – a reversal of the mid-1980s.

Paradoxically, significant success in stemming the drugs flow to the US has aggravated problems for the Bahamians. "More drugs are now staying here in the Bahamas, and prices are falling," said a counsellor at Nassau's Drug Action Society. "Free-based cocaine use is now endemic and has become accepted as a part of the way of life in schools and the workplace." Violent crime has shot up in tandem.

To an experienced government like Sir Lynden's, such multiple challenges may not be insurmountable. Certainly, he is at the forefront of efforts to push through appropriate changes. The question is whether those efforts are coming too late. Problems are on the doorstep, and uncomfortable reality is poking through the veil of fantasy that has long attracted visitors to the Bahamas.

Glyn Genin

Tourism, one of the lynch-pins of the economy, is beginning to lose ground to fierce competition from other Caribbean nations

IN THIS SURVEY

Tourism steps up its efforts for the year of Columbus

■ The statue of Christopher Columbus, outside Government House, Nassau: 1992, the 500th anniversary of his landing in the Americas, is prompting much investment in tourism 3

■ The economy: important sectors are losing business to the neighbours
■ Financial services: new regulations may retrieve lost status
■ Key facts 2

■ Politics: a new leader galvanises the opposition 3

■ Fishing and agriculture
■ The drugs war
■ Oil and the environment 4

Tim Coone explores a complicated economy, in which . . .

Crucial sectors are losing business to the neighbours

A PLUNGE just below the surface of the Bahamian economy reveals a world of lush consumer forests, awash with glinting imported luxuries, and fed by a warm, financial stream of vague origin from somewhere to the west.

But as any scuba diver knows, to delve deeper, one requires powerful illumination to see things clearly and in their full colour. Such luminosity is sadly lacking.

Accurate GDP figures on the Bahamanian economy are simply unavailable. "We know tourism contributes just over 50 per cent, so we think GDP is around $2.2bn," said Mr Christopher Lunn, a senior economic researcher at the central bank.

The reasons for this opacity are not hard to find. Bahamians file no income tax returns. Banking and commercial secrecy make it difficult to identify genuine value-added activities among the ebb and flow of the broader financial activities of this tax haven and offshore financial centre. As in the past, when the Bahamas was the base for US Civil War gun-runners and prohibition liquor smugglers, so it has been the base for cocaine and marijuana smugglers to the US. Unofficially, the drugs trade is believed to have contributed as much as 10 per cent to the Bahamas GDP annually. But that is changing.

US-backed interdiction efforts in the Bahamas have forced the Colombian drug barons to start seeking alternate smuggling routes to the US.

The dwindling flow of cash associated with that drugs trade has now alerted the country's leaders to the financial reefs lying ahead.

"We have become complacent," said Mr Lunn. "Tourist income is not keeping pace with the high standard of living to which the Bahamians have become accustomed. In the offshore financial sector, others have learned from us and improved upon what we did. We are just beginning to learn about competition."

The central bank lost $60m in reserves in 1988, "wiping out in one year what took 10 years to build," he said. The Government was forced last year to intervene and to reduce consumer credit, which none the less still accounts for 44 per cent of the banking system's loan portfolios.

"I think what we are seeing now is the real economy emerging," said Mr Lunn.

That real economy, stripped of its drug-related froth, is in difficulties. Highly dependent upon just two sectors, tourism and offshore financial services, the Bahamas is facing stiff competition from other centres emerging in the Caribbean.

Preferential trade agreements, such as the Caribbean Basin Initiative with the US, and the Lome II agreement with the EC, have brought only marginal benefits to the Bahamas, due to the lack of any significant agricultural or industrial development on the islands. The Bahamas, though a member of Caricom (Caribbean Economic Community), is not a signatory to its trade protocols.

Imports comprise the equivalent of 40 per cent of GDP. About 85 per cent of the country's food needs are imported – mostly from the US mainland. Import duties raise 80 per cent of government income. Economic integration with the Caribbean community would require the Bahamas to entirely restructure its fiscal policy.

The country is thus faced with a need to diversify its economy, but lacks the means to do it. The latest infrastructural developments are putting pressure on government finances. Borrowing has pushed up central government debt by 30 per cent in the past year, and is likely to expand by a similar sum this year with new investments in Nassau port, the airport and the electricity company.

Borrowing has pushed up central government debt by 30 per cent in the past year, and is likely to expand by a similar sum this year with new investments in Nassau port, the airport and the electricity company

Most new borrowing has been financed through bond issues to public sector corporations, especially the state-run pension fund. The National Insurance Board holds most of the Bahamian Treasury Bills in existence.

Mr Hubert Ingraham, head of the political opposition to the ruling PLP, believes: "Credit should be more productively employed in creating jobs and reducing our import bill. We can only increase revenue by increasing our economic activity." He is in favour of diversification into agriculture, fishing and industry, and of lifting legal restrictions on non-Bahamians investing in these areas.

The Government is not convinced, although it has promoted several diversification schemes. Mr James Smith, the central bank governor, points out that high labour costs in the Bahamas and the small local market makes it difficult to compete with US producers.

He is more optimistic about the offshore financial centre's future, which presently contributes an estimated 10 per cent to GDP. He said stricter financial reporting and standardisation in the EC in 1992 would put pressure on the EC's offshore centres, forcing their business elsewhere. Similarly, the return of Hong Kong to China would bring far eastern business to the Bahamas.

Mr Smith also foresees a growth in personal offshore banking, and greater numbers of foreign companies establishing representations in the Bahamas now that company legislation has been put on a par with the Cayman Islands.

Although mostly "brass-plate" shell companies, the aim is eventually to attract a proportion of these to establish offices in the Bahamas, says Mr Owen Bethell, head of the newly-created Banking and Financial Services Unit in the Finance Ministry.

One result of the new company law is that International Business Company (IBC) regulation has been taken out of the hands of the central bank. "It will be very difficult to trace beneficial owners," admitted Mr Smith. This is likely to give US Congressmen another stick with which to beat the Bahamians over drug-money laundering but they are prepared to face it.

"Offshore centres are here to stay as an essential part of international trade – and our people have to live," said Mr Smith. He insisted that existing controls were adequate to sift out drug traffickers.

On a similar note, Mr Bethell said, "I cannot see a compromise on banking secrecy. I do not think we will bend to any further pressure."

US efforts to persuade the Bahamians to lift its banking secrecy veil and enter into a tax information exchange treaty with the US are being strongly resisted, although Mr Smith said: "They are using the big stick and it is getting bigger."

The powerful US-owned hotel and cruise ship industry in the Bahamas wants to attract the lucrative conference business to their facilities. US companies will be unable to write-off Bahama-based conferences against US tax however, unless a tax treaty is signed.

The Government's own investments in the tourist industry made through the Hotel Corporation are, meanwhile, being seen as a possible short-cut around the looming fiscal reefs. "They are saleable assets," said Mr Smith.

But will they be sufficient to keep the economy buoyant? As solid as a coral reef, he said. "It is not all doom and gloom. For the Bahamas to go under, the US would have to go under as well."

Rachel Johnson on the islands' role as a financial centre

Rules may lift fallen status

"Choosing an offshore centre is like choosing between Pepsi and Coke. It all depends on the latest thing you have read, marketing and promotion. The bottom line is we are tax havens. Whatever profit we make at the end of the day we keep. We don't share it with the government – and the government hardly interferes."

MR GREGORY BETHEL, first vice president of Credit Suisse (Bahamas), thus defines the numerous offshore centres now open to wealthy investors who like their assets untaxed and incognito.

As a general rule, each centre offers freedom from taxes and exchange controls, an atmosphere of secrecy, confidentiality, and tax-efficiency in the management of assets. The need for fierce promotion, and tight regulation, is common to all.

The Bahamas is distinguished by its long tenure as an offshore centre, and its many infrastructural advantages over Lilliputian Caribbean rivals such as the British Virgin Islands and the Turks and Caicos Islands.

It was for a long time the third largest international banking centre, after London and New York, in terms of total foreign liabilities of $157bn. It also profited from being close to the North American mainland. It has an independent judiciary, headed by an attorney general well-versed in the complexities of finance.

According to the auditors KPMG Peat Marwick, banks in the Bahamas – numbering about 380 – employ between 3,000 and 4,000 people. Neighbouring Cayman, currently the Bahamas' closest rival, employs about 1,000.

If those employed in insurance, accounting and law are included, the total exceeds 5,000. The BVI, which has been operating as a financial centre for about six years, employs around 200, mainly expatriates.

Moreover, 160 banks have a physical presence in the Bahamas – a great boost to the domestic economy, for they set up expensive offices, install leased telephone lines to the world's financial centres, buy furniture, and pay their employees well.

In addition to a developed legal system, based on English common law, the Bahamas has a licensing, monetary and supervisory authority in the shape of the central bank; an Institute of Chartered Accountants; and an Association of International Banks and Trusts.

Yet despite this elaborate structure, and although financial services contribute about 10 per cent to the Bahamas GDP, the islands have lost their high ranking in the IMF league table and slipped to 11th place. This does not take into account trust assets under administration, nor off-balance sheet business.

The cause of the slippage – and of the centre's decline in the face of fierce competition from other Caribbean jurisdictions – is a central concern to the islands. One reason has been publicity about alleged drug-trafficking, endemic corruption, bureacratic delays and inefficiency, and growing drug-related crime and violence in Nassau.

Among the world's leading financial centres, only the Bahamas registered virtually no growth between 1983 and 1986. The only offshore centre that performed worse was Panama. The Bahamas failed even to pick up business from the flight of capital after the 1988 banking crisis there.

Sir Lynden Pindling, the Prime Minister, has set his country the challenge of improving its rating in the next three years, and the centre has embarked on a programme of new financial legislation.

Mr Sean McWeeney, the Attorney General, says: "There is no denying that the new financial legislation is coming on-stream not a moment too soon . . . There are more player countries now, and they are penetrating the offshore market more aggressively and imaginatively than ever before."

Any offshore centre keen to remain competitive in the 1990s, when more and more capital is expected to flow into eastern Europe, is liberalising its investment policies, modernising company and trust laws, reducing red tape, cutting taxes and introducing imaginative measures to win its segment of the offshore market, says Mr McWeeney.

The Bahamas strategy's main plank has been to establish legislation for the incorporation of international business companies, which came into effect in January. There are now about 800 on the books of the Registrar of Companies, Mr Nathaniel Dean. The IBC legislation is copied from the blueprint that has proved so successful in the BVI – and the Bahamas also examined the regime in the Cayman islands before introducing its own, according to Mr Kevin Higgins, of the central bank.

Basically, the IBC laws offer a cheaper annual fee than the BVI ($100, compared with a usual fee of $300), quicker incorporation (24 hours, rather than 48) and better value-added services.

There are the usual advantages of tax-exemption, exchange-control regulation and other regulatory requirements. The Bahamas is about to review the insurance field as

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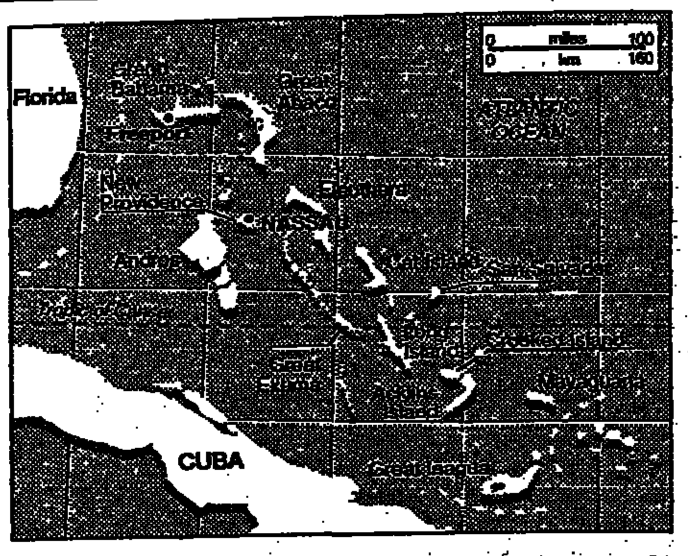


KEY FACTS

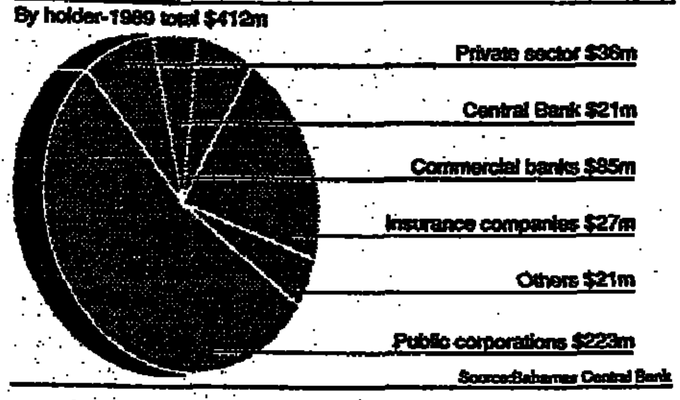
Area	13,939 sq km
Population	250,000 (1989 estimate)
Head of State	Queen Elizabeth II, represented by a Governor General
Currency	Bahamian dollar, at par with the US dollar

THE ECONOMY	1988	1989
Total GNP ($m)	2,611	n.a.
Real GNP growth (% est)	2.0	4.0
GNP per capita ($)	10,560	n.a.
Current account balance ($m)	-132.4	-157.4
Exports ($m)	273.6	250.1
Imports ($m)	1047.9	1109.3
Trade balance ($m)	-774.3	-859.2
Tourism expenditure ($m)	1,150	1,221
Total no. of tourists (000s)	2,980	3,220
Total external debt ($m)	195.1	n.a.
External debt as % of GNP	7.4	n.a.
Debt service ratio	3.9	n.a.
Budget deficit ($m)	86.4	102.7
Inflation (% change pa)	4.2	5.4
Total reserves minus gold ($m)	172.0	146.8

Sources: IMF, Datastream, Economist Intelligence Unit

Stocks and Government Securities

By holder-1989 total $412m



Source: Bahamas Central Bank

The islands as a financial centre

Continued from previous page
a further way to re-establish its dominance in the market. Ship registration is another growth area, and the Bahamas is 10th in the World Shipping League.

It remains to be seen whether the new legislation succeeds: Mr Bethel, of Credit Suisse, points out that, in terms of government revenue, the IBC fees are small beer. But the Government, which has embarked on an ambitious infrastructure improvements programme is dependent on the $8m revenues from the financial sector it reaped in 1988.

And a dark shadow of suspicion still hovers over the Bahamas, despite its attempts to shed its image as a haven for drug traffickers and money launderers. In 1985, a commission of enquiry said that the most common way of laundering drug money was to establish a corporation that would be registered in the Bahamas or elsewhere; it was also the custom of the clearing banks to accept large cash deposits without question.

Sir Lynden has recently asserted that the Bahamas no longer has the "dubious distinction" of being the third largest centre for laundering, after New York and London.

In 1983, the central bank did take steps, fearful of losing bank secrecy laws and accepting constraints that would make the Bahamas less attractive as a tax haven.

It prohibited banks from accepting large cash deposits of over $5,000. Those who try to are likely to have their passport photocopied and particulars reported to the central bank. The banks and trusts, additionally, follow a code of conduct which dictates that new customers should have proper references and "not use the Bahamas for criminal purposes".

So banks on the islands have internal auditors, such as Nat-West International Trust Corporation's Mr John Kitchen. Like other offshore banks, NatWest seeks out wealthy clients who are able to make a a minimum deposit of $25,000 and who have minimum assets of $500,000. Its imposing headquarters still get plenty of customers off the street.

"We turn down about one in 20 customers," says Mr Kitchen. His job is familiarly known as "tizzyhunting" – showing the door to customers who want to establish accounts

Sir Lynden recently said the Bahamas was no longer the third largest centre for laundering

to transfer assets accrued through criminal activities.

Mr Kitchen says a client always has to establish "where he got the money from, and convincingly prove that the nature of his business is legitimate". If the internal policeman smells a rat, the customer is reported to the central bank, which deals with the matter from then on.

Mr Christopher Masters, managing director, says the Trust Corporation's offshore presence leads to some anomalies. "In the UK, if a new client came into a branch and wanted to deposit half a million pounds, he would be treated like royalty. Here, he is treated with courtesy, suspicion, and scepticism."

Scandal clouds the political scene, writes Athena Damianos

New leader buoys the opposition

AFTER 23 years' undisputed rule, the Prime Minister, Sir Lynden Pindling, has more to worry about than just high unemployment and a rise in violent crime.

His government's image has been tarnished by allegations of misuse and mismanagement of public funds, and of nepotism.

Within the last 10 months, scandals have occurred that give a revived opposition fresh ammunition to use against the governing party. Mr Wilbert Moss, the parliamentary secretary to the office of prime minister and a long-time MP in the ruling Progressive Liberal party (PLP), was sent to jail for offering a magistrate $10,000 to drop a constituent's drug case.

More recently, Mr Ervin Knowles, the Minister of Agriculture, Trade and Industry and chairman of Bahamas Agriculture and Industrial Corporation, was forced to resign after the Opposition had documented a "litany of abuses" at the Corporation, involving misuse of public funds and nepotism. Mr Knowles did not resign his House seat.

Sir Lynden, aged 60, craftily persuaded Mr Perry Christie, one of two independents whom he had dismissed from Cabinet in 1984, to replace Mr Knowles.

The other independent, Mr

Sir Lynden: 23 years' rule

Hubert Ingraham, joined the opposition Free National Movement (FNM) as House leader shortly after Mr Christie, his law partner, returned to the PLP. Mr Christie and Mr Ingraham were dismissed after they had refused to remain silent on the issue of corruption during the Commission. They were suspected of planning an internal revolt.

Mr Ingraham was appointed opposition leader on May 18, after the death of Sir Cecil Wallace-Whitfield.

The FNM, which until now has suffered from personality conflicts and operated in spurts, has been galvanised by Mr Ingraham's appointment. The party now appears to be drawing more grassroots support.

The 46-year-old Mr Ingraham, who grew up in poverty on the island of Abaco, proved his mettle as a PLP minister of housing and national Insurance. At his first news conference, he called for vital electoral reforms, including the use of indelible ink, and warned that the opposition would not tolerate abuses in the next general election, which must be called by the summer of 1992.

Prior to Mr Wallace-Whitfield's death, the opposition had controlled 17 of the 49 seats in parliament. Now, for the first time, an opposition leader just as charismatic as prime minister Pindling has emerged – but Mr Ingraham has the advantage, in that, with 24 years in the political arena, his reputation is untainted by charges of corruption.

Both party leaders are short and feisty, astute and energetic. Both are lawyers. Sir Lynden, who styles himself the black Moses of the people, still holds sway over many Bahamians, particularly the older voters. It was he who led this former colony to majority rule in 1967, and then to Independence in 1973; it was his government that helped secure better job opportunities for black Bahamians, creating a large black middle-class.

However, bread-and-butter issues – not corruption – are likely to be a major factor in the next elections. The Government has had to impose heavy taxation to service a growing national debt; and 26 per cent of the workforce has been threatened by troubles at Bahamasair, the national carrier.

There are reports that substantial sums of money are missing at Bahamasair, and Mr Philip Bethel, the Minister of Transport and chairman of the airline, said recently that steps would be taken to lay-off up to 250 workers in order to save the airline. A wage freeze has been implemented, and all free travel passes cancelled.

The Government recently signed a contract, calling for a 70 per cent Brazilian workforce on a $55m Nassau airport expansion project, causing tension in labour circles. While Sir Lynden has given his assurance that as many Bahamians as possible will be employed, the opposition, which has a copy of the contract, said the Government would have to pay a penalty of $17,000 to Andrade Guitierrez, the Brazilian contractor, for every additional Bahamian hired.

Mr Pindling still has some house-cleaning to do. His personal friend, Mr Kendal Nottage, the former minister of youth, sports and community affairs, resigned from the cabinet in 1984, after the Commission had found that, whether he realised it or not, he had fronted for Michael Carauna, a New England organised crime figure and drug trafficker. He was re-elected to the House in 1987 by a handsome majority.

Mr Nottage and his wife, Rubi, were indicted by a Boston court last year in connection with a drug laundering scheme involving Mr Carauna, but refused to attend his trial.

Mr George Smith, who resigned as minister of agriculture shortly after the Commission had found that, on the balance of probabilities, he accepted a BMW car from an international drug trafficker, was also re-elected to the House in 1987 by a large party.

Last year, the PLP elected Mr Irrington "Minky" Isaacs as party chairman. Mr Isaacs is the largest shareholder of MD Air Services, which the Commission found had acquiesced in illegal drug trafficking through an island.

MD lost its charter licence after two fatal crashes in 1988, in which 11 Bahamians were killed. Aviation experts found that not all the aircraft were airworthy and that the airline was in breach of numerous safety rules. Mr Isaacs is now operating a new charter service – Reliable Air.

DRUGS AND violent crime have become endemic problems in Bahamian society, especially in the main cities of Nassau and Freeport. Two of the writers of this survey were mugged at gunpoint one evening, just a few blocks from the centre of Nassau.

This is not part of the kaleidoscope one sees in the tourist brochures. Tourism provides 50 per cent of the Bahamas GDP; more than 60 per cent of the country's jobs come directly or indirectly from tourism.

A key question facing Bahamians today is whether tourism can continue to be the bedrock of the economy, or whether it already is a mature industry.

For those in government, there is no doubt. A $45m port investment plan is to be completed this year. The state-run Hotel Corporation is to jointly develop a $300-450m resort complex on Great Exuma island with a Texas-based consortium. Airport improvements are being made throughout the islands.

Meanwhile, Christopher Columbus' first landfall in the Americas – in 1492, on San Salvador island in the Bahamas group – is to be the focus of a 500th anniversary promotional drive and further tourism investments over the next three years.

Tourist arrivals have continued to rise. Last year's 3.4m visitors was up 8 per cent on 1988, although more than half of these were low-spending cruise-ship arrivals.

New developments have kept hotel occupancy rates hovering around 68 per cent for the past five years. According to industry experts, 80 per cent occupancy rates are needed to break even for the lavish new hotel-and-casino complexes springing up along Cable Beach in Nassau. The huge pink-and-purple Carnival Crystal Palace hotel, considered by many to be Nassau's biggest eyesore, is reported to be in financial difficulties.

Last year, almost 200,000 complaints were lodged by disgruntled visitors. Excessively high prices, poor service and crime problems were frequent complaints.

A bigger threat still lies only a few hundred miles south. Neighbouring Cuba is investing hundreds of millions of dollars in tourism, with an ambitious target of attracting 2m visitors annually by the end of the century. No one forgets that the American sun-seekers

Tim Coone on tourism's crisis

Cuba threatens to be a rival

only discovered the Bahamas when the 1959 revolution shut Cuba down as a tourist destination.

According to one western diplomat in Nassau, "If Cuba is once again opened up to the US tourist, it will be disastrous for the Bahamas."

US travellers make up 80 per cent of arrivals in the Bahamas, and thay are presently banned from travelling to Cuba by their own government. Should perestroika ever reach the shores of Castro's communist island, that will surely change. Some Cuban exiled businessmen in Miami are reportedly already negotiating hotel contracts with the Cuban government.

Tourism ministry officials are acutely aware of the vulnerability of their number one industry, and of the inevitability of the Cuban challenge within a few years. "We have to take a positive view that competition is always good and can help us to improve our standards," said Mr Craig Woods, acting director-general of the Bahamas Tourism Ministry.

A new university-level training college for hotel and tourism administration is to be opened in 1991, while the new infrastructural developments are aimed at easing congestion at the ports of entry.

Unfortunately, these crucial investments come at a time when the Bahamas can least afford them. A rising fiscal deficit and increased government borrowing to finance the latest dock and airport improvement schemes have placed a drain on reserves.

Mr Bill Allen, a former central bank governor, is critical of the Government's approach. "The investments are necessary but have come too late. Three or four years ago would have been ideal." He said the $45m ports scheme for increasing cruise-ship capacity could have been better spent on other improvements to attract longer-staying visitors. As many as 1.9m of last year's 3.4m tourists arrived on cruise ships and spent only $90m, compared with the $1.13bn spent by stopover visitors, according to central bank data.

Nassau's crowded downtown

Tourist arrivals (m)

	Air	Sea	Total
1986	1.4	1.6	3.0
1987	1.5	1.6	3.1
1988	1.4	1.7	3.2
1989	1.5	1.9	3.4

Source: Bahamas central bank

shopping centre offers little more than T-shirts. Even the famous straw "local" handicrafts are now mostly imported from the Far East. Indeed, according to Mr Woods, for every tourist dollar spent in the Bahamas, 85 cents goes out again on imports.

Everything from hotel construction materials to the food in the restaurants is imported.

High import duties (the Government's principal source of revenue) are passed on as high prices to the tourist.

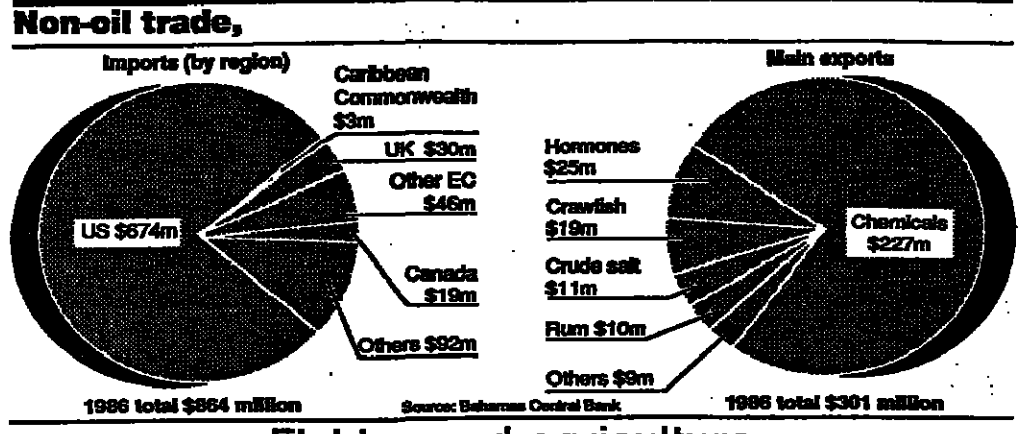
Efforts are under way to improve agricultural production in the islands, but they are still at an embroyonic stage and few Bahamian entrepreneurss appear interested in the Government's incentive schemes.

The Government is clearly worried by the years of complacency, which have led to rising costs and slipping standards and is making efforts to regain lost ground. The down-market "Dunkin-Donut" image and growing crime rate, which have begun to taint the main tourist centres of Nassau and Freeport, are to be offset by opening up more of the country's beautiful 700 islands and cays, by spreading visitors more thinly, and by offering better services at lower costs. It will require high investment, and even some risky fiscal policy changes.

Mr Christopher Lunn, a central bank analyst, summed up the prospects: "1992 is our target. If all goes as expected, we will be in for a sustained boom. If not, we face a long, hard period."

Fishing and agriculture

Incentives bring results



THE BAHAMAS is a sports-fisher's paradise, as any reader of Hemingway knows, and the outlying islands' bars are rich in memorabilia of big fish-hunting exploits.

With an estimated 1,600 fishermen and 361 registered boats, the islands also have plenty of fish to satisfy domestic consumption, while fish is one of their few exports, along with Persian limes and cascarilla bark for Campari.

When Charles II granted the Bahamas to the Lord Proprietors, the grant included "the fishing of all sorts of fish, whales, sturgeons, and all other royal fishes within in the sea, bays, inlets".

Today, the produce-exchange and fish market on Potter's Cay, in Nassau, is one of the city's most colourful and salty spots, where fishermen crack conch (pronounced "conk") and stack the glistening pink shells for crushing and use in landfill. Shallow-water scale-fish, such as snapper and grouper, are displayed for purchase alongside the more expensive spiny lobster, and ubiquitous conch.

The total production of edible fish for 1988 was 8,727 metric tons, valued at $41.14m. The domestic market consists of fish-processing plants, restaurants and vendors: live scale-fish is sold at dockside from "kits" – boxes – while frozen is sold in 40lb plastic bags. Conch, the national dish, is either landed live and sold by the hundred, or skinned and frozen in bags.

The export market, divided equally between the US and Europe, made a $28.5 contribution to the Bahamas' foreign exchange earnings in 1988. Vessel owners and operators earned $41m in 1988.

Crawfish, or spiny lobster, is the biggest money-spinner, accounting for more than 92 per cent of the total. The Bahamas also exports live marine tropical fish, and queen's helmet shells to Italy to be carved into cameo brooches.

In addition to this natural profusion, Bahamian fishermen are helped by big government incentives and the exclusive rights to commercial fishing in a 200-mile zone.

The Fisheries Act of 1977 requires any fishing-boat to be owned by a Bahamian; land-based seafood processing and marketing companies have to be 60 per cent Bahamian-owned. Best of all, in a country where the bulk of government revenue is made through high indirect taxation, fishermen are granted duty-free concessions for the development and maintenance of their fisheries, paying duty only on the fuel they consume.

Mr Colin Higgs, deputy director of the Fisheries Department at the Ministry of Trade, Agriculture and Fisheries, says the sector has expanded steadily as a result of these incentives.

However, the small fisheries loan programme with the Bahamas Development Bank (BDP) has been less successful, and both demand and repayment of loans have both shown marked falls since 1987.

In 1988, the value of loans approved for fishing by the BDP dropped by 40.8 per cent, to $890,000, after a 50 per cent increase in 1987: the bank financed 15 new boats, seven of which were for boats over 45ft long. Reasons given for the decline include the bank's wariness of lending during a credit squeeze, diminishing reserves, and the fruitless effort of trying to get the loans back.

In contrast, agricultural self-sufficiency is a long way off. "Agriculture is hard work. Fishing is more lucrative," says Mr Hartley Saunders, senior administrative assistant at the BDB in Nassau's dignified Rawson Square. The islands import about 80 per cent of their requirements, including coconuts, citrus fruits, tomatoes, onions and peas – all of which can be grown locally. Making a living in agriculture is tough.

In the 19th century, when transport links between the Bahamas and the mainland grew more reliable, an export market for fruit, fish and vegetables developed. Pineapples and oranges were in demand, and merchants could make a profit on crops. But the US cut off the shoots of the growing industry by imposing tariffs on imports.

Mr Prince Bonamy, Director of Agriculture, predicts that Caribbean countries will face an even more bitter struggle after 1992. Almost entirely dependent on imports, their few export markets could disappear through competition after the reclassification of products.

"We have Bacardi rum made in the Bahamas for export. But if the EC decides that rum can be made from potatoes as well as from sugar cane, the rum market will open up," he says.

Since 1974, therefore, the islands have been gearing themselves up for increased self-sufficiency. The Bahamas has its own brand of potato; schools run agricultural-awareness programmes; import duties on machinery and processing plant are lifted.

"We welcome joint ventures and inward investment," says Mr Bonamy, whose department liaises closely with the Taiwanese in its efforts to broaden the agricultural base and improve techniques and product quality.

Yet there are problems to be overcome before the islands achieve more than the present level of 25 per cent self-sufficiency.

■ Rainfall is slight and variable, amounting to about 60 inches a year in the coniferous north and only 30 inches in the coppices in the south. The islands have suffered three years of drought.

■ Bread, the islanders' staple diet, has to be imported, because wheat cannot be grown in the tropics.

■ Although 5 per cent of the classified 250,000 acres of agricultural land is ripe for cultivation, there is a shortage of farm workers.

■ Agricultural colleges concentrate on training students in the cultivation of "commodity crops" such as cocoa, bananas, coffee, and sugar – and fail to teach the ability to grow native crops such as yams and pigeon peas.

A much deeper problem, however, is the Bahamian attitude to working the land. "Bahamians were, to a great extent, enslaved and farm labouring was enforced," explains Mr Bonamy. "What we are saying now is, forget the past – and let's become more self-sufficient in the future."

Rachel Johnson

Athena Damianos on the drugs war

Late action pays off

STEPS TAKEN by the Bahamas, on its own and in conjunction with the US, last year resulted in a 42 per cent reduction in the amount of cocaine seized in the country, compared with 1988.

"We're winning the war against drugs in the Bahamas," said the Minister of National Security, Mr Paul Adderley, recently.

While laudable, the Government's zeal developed only years after traffickers had invaded the Bahamas.

In 1983, the islands became the first country to allow the US to operate a hot-pursuit programme within its borders. However, it took disclosures of government corruption in 1984, a sharp increase in violent crime and a rise in admissions to the state drug rehabilitation centre to force the Bahamas' own government into resolute action.

The country consists of 700 islands and cays scattered over thousands of miles of sea. Most are sparsely populated or uninhabited. With a plethora of airstrips and secluded anchorages, and considering the country's strategic position in relation to Florida and drug producing areas such as Colombia, it was inevitable that traffickers would find their way to the Bahamas.

The trade flourished in the late 1970s and early 1980s. From 1977 to 1983, for example, the amount of money transferred from tiny Bimini island to the central bank of the Bahamas grew from $544,360 to $12,292,200. Bimini people, however, paid a high price in terms of human suffering and degradation. Crime on the island has increased significantly.

In 1983, the National Broadcasting Corporation of the US alleged government corruption in the Bahamas. A Royal Commission of Inquiry was appointed, to investigate the allegations. It found that the trade was widespread and had affected almost all strata of Bahamian society.

The commission said that reports submitted to the Government by senior police officers in 1977 "must have made it clear" that there was a serious problem at that time, and that the potential existed for it to become "a crisis of major proportions". The commission had no doubt that the Government had been aware of the extent of the problem from 1978 onwards. That had been the time for resolute action, it said.

It was shocked to find that the spillover from the trade had created a lucrative local drug culture, which had permeated society to an alarming degree. Some lawyers and bankers, said the commission, used the country's bank-secrecy laws to launder drug money. There was corruption in the upper and lower levels of the police force, which was thought to have reached a senior level of government. Civil servants, the commission said, had been corrupted by illegal drug money. It blamed apathy and "a weak public opinion" for the undesirable state of affairs.

In the early 1970s, marijuana was the only drug widely used in the Bahamas. In 1979, Bahamians began "freebasing" cocaine. By 1983, the Bahamas Mental Health Association said, the problem had reached alarming proportions, but the public reaction to the association's awareness drive was poor.

Admissions at the Sandilands Rehabilitation Centre soared. There was not enough bed space, and addicts slept packed together on the floor and in the hallways when they came in for treatment.

Doctors were concerned about the increase in suicides, once rare, among cocaine users. Dr Michael Neville, a psychiatrist at Sandilands, said the indications were that "few families have not been touched" by cocaine.

While joint Bahamian-US interdiction efforts achieved tremendous success, said the police commisioner, Mr B.K.Bonamy, drug trafficking remained a "tantalising" problem. President George Bush confirmed earlier this year that joint US-Bahamas interdiction efforts had resulted in a reduction in seizures in the Bahamas. Traffickers, he said, were shifting to Mexico.

A US State Department international narcotics report for 1989 gave the Bahamas top marks for co-operation, but said allegations of corruption also plagued the Bahamas government. The report claimed that US government officials had received credible reports that drug traffickers were able to buy co-operation from some Bahamian officials. When there is sufficient evidence to guarantee prosecution, the Bahamians will take action, the report said.

Among new measures are the installation of two aerostat balloons by the US in the islands; and the Bahamas and US have signed a Mutual Legal Assistance Treaty, which allows US authorities access to suspected smugglers' bank accounts.

In 1988, the House of Assembly put teeth into the Dangerous Drugs Act, making life imprisonment mandatory for anyone convicted of possessing more than 10 lbs of marijuana, 2 lbs of cocaine or 20 grams of heroin.

Tough law enforcement efforts had put the country on a winning course in the war against drugs, said Mr Adderley.

The Association of International Banks and Trust Companies has long since implemented a strict code of conduct for its members. The days of suitcase deposits are over.

Changes in the oil industry could set politicians a problem

Enter the environmental factor

TWO decades ago, at a time of soaring world oil prices, the Bahamas became a strategic node in the world oil industry.

Lying astride the Gulf Stream and some of the world's principal shipping lanes, and enjoying some of the deepest and most sheltered natural berthing sites on the north-western side of the Atlantic ocean, it was inevitable that the Bahamas, with its tax-haven status, should be chosen as the location for a major oil refinery and storage terminal.

The major industrial centres of the US East Coast, handicapped by their shallow ports, provided an ideal market. Most are within one or two days' steaming of South Riding Point on the east end of Great Bahama Island, where a 500,000 barrels-per-day refinery has been built. Tank farms provide a total of 25 million barrels in storage capacity in two separate facilities. Operations began in 1970.

Since those boom days, however, falling oil prices and the steady creation of overcapacity in refining facilities worldwide has led to a gradual rundown of refining operations in the Bahamas. The refinery was finally mothballed by its Chevron owners in 1985. According to local oil executives, the facility is now obsolete.

When first built, the refinery and terminal provided 800 much-needed jobs in Grand Bahama Island. Today, however, the terminal is used solely as a trans-shipment and bunkering point, and employs only 145 people.

Apart from salaries, the facility pumps little into the local economy. None the less, those jobs are being fought for tenaciously, and a planned $100m sale by Chevron to the Venezuelan state-owned oil company Petroleos de Venezuela SA has sparked a local political controversy.

Union leaders in Freeport insist there must be no further job losses. Negotiations have dragged on for almost a year, and although both sides agreed in principal to the deal last February, Bahamian government approval is still pending.

According to local politicians, there is concern that the Venezuelans are taking a dog-in-the-manger interest in the site. Rather than invest in and reactivate the facility, it is thought they intend to prevent Middle East suppliers from controlling it, especially the Saudis, who are said to be interested.

As one oil company executive in Nassau commented: "It is not only an important trans-shipment point for the US East Coast, it is also the gateway to the Central and South American markets." For these reasons, he said that in the longer term, "the Bahamas is an ideal site for a modern refinery."

The Venezuelans, with a key stake in the region's oil market, thus have a vested interest in controlling not only the existing oil storage and refining operations in the Bahama Islands but also any future developments there.

Regardless of the outcome of the deal, one further factor will help to determine how the oil industry eventually takes shape in the Bahamas. The Exxon Valdez tanker disaster, in Alaska, has alerted environmentalist lobbies worldwide to the dangers of VLCC and ULCC operations in sensitive ecological areas. The Bahamas possesses some of the most beautiful and unspoiled coral reef systems in the western hemisphere, and is the key to the further develoment of the country's tourist industry. A major oil spill could spell disaster.

Jobs, rather than the environment, tend to dominate the political agenda in the Bahamas. None the less, publicly-expressed concerns about subterranean pollution of fresh water supplies by residual wastes of the refinery, and loud reactions in the local press to even minor oil spills at the Chevron terminal, indicate that environmental issues lurk only just beneath the surface of the Bahamian political scene.

Should conditions change in the oil market, as well they might in the next decade, and tourism fail to deliver all the hoped-for benefits in jobs and increased economic activity, Bahamian politicians might face a very difficult choice.

To the south, Cuba has embarked on a large scale off-shore drilling and exploration programme, with some success, in an effort to develop its own oil supplies. Foreign companies are now drilling in Bahamian waters.

Tim Coone

ARTS

The pride of the Cork Street collection

Today is the day of the Cork Street Party, when London's street of galleries keeps open house, at least to those armed with the card to get them past the squads of commissionaires at either end. Should the sun still shine, there could be no better way to spend the afternoon than to stroll through the Bond Street and St James's hinterland, sampling the wares, arriving in the street itself in good time for the appropriate restorative. With 18 of the Cork Street and neighbouring Clifford Street establishments declared, I do not propose to go through the card, but each gallery presents itself strongly within its field, whether 19th century French paintings at Stoppenbach & Delestre or Frank Stella at Knoedler.

Joan Eardley, however, with a small but substantial show at the Scottish Gallery and another six works next door at the Mercury Gallery (28 & 26 Cork Street W1: until July 28), deserves particular attention. She was born in England but was educated and spent her working life in Scotland, and is generally accepted as a member of the modern Scottish School. And that perhaps is the problem.

She died in 1963 at the age of 42, just when her reputation as a painter and draughtswoman, already well established in the north, was spreading to the southern kingdom. She was a natural expressionist, unaffected by the current influences from America of large-scale abstract expressionism. Her work, rather, was deeply European in its sensibility, dense on the surface and informed by the rich colour and deep tonality of Scottish painting. It was always figurative, worked directly from the figure or the landscape, although in much of the landscape painting of her last year, which is well represented in both these shows, it grew ever more abstracted, simple and free in the statement.

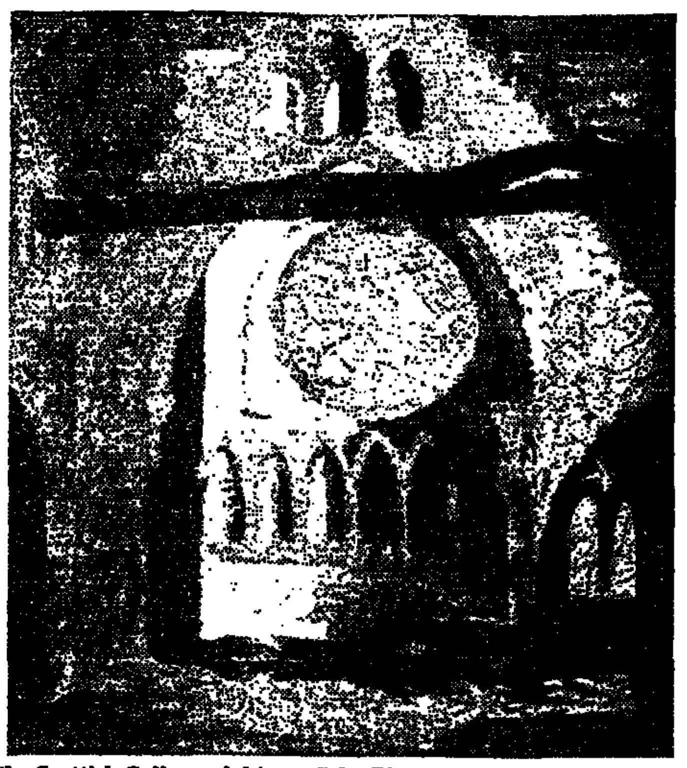
Twenty years on, with their rich, encrusted and matted surfaces, their textures enhanced by extraneous matter, even grass and twigs, her late paintings recall more the work of Anselm Kiefer, lately so fashionable, than any of her contemporaries. As it was, she was seen as a provincial in a time of deference to international interests; she was a woman and she was dead. In spite of all the efforts of her London its peculiar visionary innocence. For he is a true visionary, a dreamer and a mystic, working away in his Suffolk studio just as all those years ago he worked in Highgate, setting his ambiguous, doom-laden fables and moralities into the epic, remembered, ideal landscape of the Outback.

Back north to Wildenstein (147 New Bond Street W1: until July 31), which is showing a selection from the Hussey and Kearley Bequests that together supply the collections of modern art at Pallant House in Chichester. They include some works from foreign schools: a Sam Francis water-colour for example, a Leger and a Severini, but the strength of both collections lies in the quality of their modern and contemporary British works, from Sickert, Nash and Jones, Piper and Sutherland, to Auerbach.

Walter Hussey was a remarkable patron himself and the true reviver within the Church of England of the practical patronage of contemporary art. As vicar of Saint Matthew's, Northampton, during the War, he commissioned major works from Henry Moore and Graham Sutherland and lived to see his confidence entirely vindicated. At Chichester, where he became Dean of the Cathedral under Bishop Bell, he continued as before.

Charles Kearley, a builder and developer who lived nearby, became associated with Pallant House after it opened to the public in 1982 and, encouraged by Hussey's example, he too chose to leave it the collection he had built up over many years. Both collectors were guided by the over-riding principle of personal pleasure in the work rather than any putative critical or historical importance. Their collections in consequence are wide-ranging, idiosyncratic and - a great paradox of collecting on such a principle - consistently high in quality. They are, punters in Cork Street mark and learn, an example to us all.

William Packer



Left – "Portrait of Angus Neil," one of Joan Eardley's exhibits at the Scottish Gallery; right – a John Piper work at Wildenstein

Theatre in New York

The Broadway season that has just ended left a legacy beyond the surviving productions, which themselves surpass the record of the past few years. The brightening prospects owe a great deal to the influx of screen actors, with Kathleen Turner's stiffly raised-chinned but lithe Maggie in *Cat on a Hot Tin Roof* to add to the earlier appearances of Dustin Hoffman as Shylock and Sting as MacHeath.

The big, classic roles may be the standard way to prove oneself – up to now, actors have had little else to choose from. But that too may be changing. A week ago the Broadway Alliance announced a plan to encourage new plays by cutting their production costs in half, to as little as $400,000. Actors Equity, the playwrights and theatre owners all made concessions to allow the top ticket price to fall from $36 to $24 with the aim of luring plays back from off-Broadway, where tickets average $22.

Lower costs have long been debated and agreement finally emerged from this unexpectedly successful season. But in setting aside three houses for the new works until September 1992, the three theatre-owning organisations are banking on a resurgence of new plays that remains to be seen.

At the start of the season, only one contemporary American play – Aaron Sorkin's military trial drama, *A Few Good Men* – was scheduled to open; in the end there were a dozen. The underestimation resulted in part from unanticipated timing, like the arrival of *Grapes of Wrath* from an international tour and the transfer of *Love Letters* and *Prelude to a Kiss* from successful off-Broadway runs.

Prelude to a Kiss, at the Helen Hayes, elevates playwright Craig Lucas from the relatively small audience of the Circle Rep company to Broadway, unfortunately with a lesser play than last year's funnier and quirkier *Reckless*. Lucas expands small coincidences and accidents to decisive events. In *Reckless* a wife walks out on her husband and into a life of bizarre encounters and outlandish behaviour. *Prelude to a Kiss* opens with a zesty romance between a barmaid and man she meets at a party, capturing the best of uninhibited love in an exuberant young couple. An old man crashes their wedding and, with a kiss, exchanges identities with the bride.

If the conceit approximates to the blindness of love and devotion that supercedes appearances, it translates clumsily to theatre. Barnard Hughes, as the old man, has a certain charm, but hardly enough to substitute for Mary Louise Parker in the eyes of her husband, played by Timothy Hutton. The mystery is never fully resolved other than as a way to provide a second act for a sexy, self-sufficient first one.

The Chicago-based Steppenwolf Company's production of *The Grapes of Wrath*, which played London before arriving at the Cort, won the Tony award for best play for its faithfulness to Steinbeck's sympathetic outcasts who faced cruelty and deprivation with naive faith and pathetic hope. It outdistanced *The Piano Lesson* (at the Walter Kerr), the latest instalment in August Wilson's rewriting of black history.

Wilson's epic struggles have modest settings but strong characters in Lloyd Richards' productions. This one, which takes place in Pittsburgh in 1936, pits brother against sister over the family legacy – an intricately carved piano their grandfather made as a slave. Charles S. Dutton, as Boy Willie, leads a cast of vivid characters displaying the Wilson trademark of boisterous simple folk with a flair for rhetoric and weakness for drink. Their susceptibility to superstition affects the playwright, who allows a preternatural *deus ex machina* to resolve the sibling quarrel.

The London contribution to the season was disappointingly small and will probably remain so, following the failure of two imports, David Hare's *Secret Rapture* and Tom Stoppard's *Artist Descending a Staircase*, leaving Peter Schaffer's *Lettice and Lovage*, at the Barrymore, and Andrew Lloyd Webber's *Aspects of Love*, at the Broadhurst, as the only transatlantic survivors of the season. Americans now seem spurred, by a little success and a lot of encouragement, to take their fate in their own hands.

Frank Lipsius

BOOK REVIEW

The man who knew everyone

As a title, *From Russia to the West* conveys little of Nathan Milstein's extraordinary life. A student in St Petersburg when Rasputin was murdered in 1916 and still actively performing when he received the Kennedy Center Award three years ago, Milstein brings us from Odessa in that *vie antérieure* forever lost after World War I almost down to the present day. From Lenin to Gorbachev, Auer to Midori, Glazunov to Abbado, he reminds us of the riches and the tribulations of our time.

As might be expected, his repertoire of experiences and acquaintances is lavish: vignettes of Prokofiev, Chaliapin, Trotsky, Oistrakh, Gershwin and Ravel – among many others – and substantial excursions on Ysaÿe, Kreisler, Stravinsky, Rachmaninov, and Milstein's artistic comrade of many years, Vladimir Horowitz. His descriptions preserve the cachet of long-vanished institutions, such as Filippov's celebrated *pâtisserie* in St Petersburg, the conductorless orchestra *Persimfans* in Moscow and the heady avant-garde theatre of Vakhtangov and Meyerhold.

As a judge of music and musicians, Milstein will seem controversial. His praise reflects old-world, 19th-century values, as illustrated in his advocacy of Kreisler and Rachmaninov, the latter whom he warmly admires. Milstein's attitude towards composers of acerbic modernist styles tends to be reserved, and often linked to unattractive personal attributes. Schonberg's name was magic to him, but his music had little effect, and Schonberg the man hadn't a trace of anything artistic in his personality. Milstein makes scornful claims about Igor Stravinsky: he was insincere, money grubbing and hostile towards musicians. Yet he is not altogether prepared to deny Stravinsky his due. According to Milstein, Stravinsky's redemption, when sheer ability did not suffice, came in the transformation of his concert music into dance, a contention which brings him to an engaging final chapter on George Balanchine.

From Russia to the West is unbalanced in its emphases. At the same time that Milstein confers extensive treatment on a half-dozen figures, he tosses off summary judgments about many others which can be insensitive and even silly. Anyone who has pondered Poulenc's "C" or *Dialogues des carmélites* will marvel at Milstein's observation that Poulenc's music is simplistic, written for adult children. Remarks like "the French do not understand Chaikovsky" and "there was nothing French in Stravinsky's music" fly in the face of history and good sense.

This quippish, parenthetical manner extends to much of Mr Milstein's personal commentary. The text is too liberally seasoned with gratuitous reminders that his judgment was superior or decisive in a given circumstance. And fellow chamber players are treated as chattels: he "shares his accompanist" with another violinist much as Ludwig Spohr, in reminiscences over a century ago, referred to the other players of a string quartet as accompanying him at first violin.

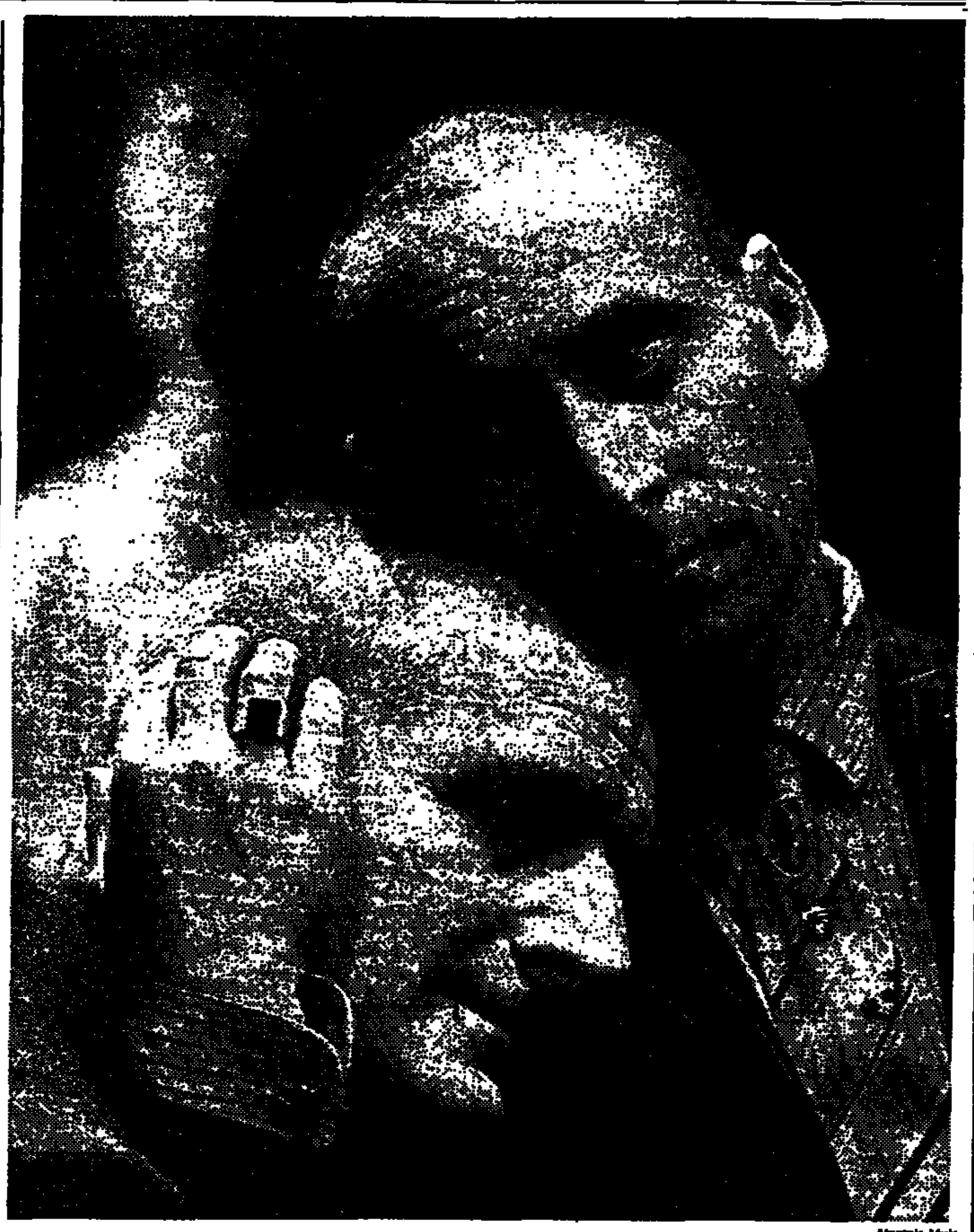
Clearly, Mr Milstein is least effective when talking about himself. "So who am I?" he asks. "A Jew from Russia, a citizen of the US with a house in London and international roots – a cosmopolitan, to use a word which in Russian has both flattering and derisive connotations." And this may explain his disdain for political matters – he who once shared the platform with Lenin and had tea with Mussolini – though he avoided Germany until well after the war and goes on record as a virulent anti-Stalinist.

Solomon Volkov is co-author of *From Russia to the West*; except for this billing and a photograph on the dust cover showing him holding an obliging microphone to Mr Milstein, the substance of *his* contribution is not stated. After the controversies stirred by *Testimony*, Mr Volkov's volume of memoirs attributed to Shostakovich, one sensed a need for him to substantiate his words and methods. In *Balanchine's Chaikovsky* he attempted this, in his unabashedly self-congratulatory manner giving details of his meetings with the choreographer, and casting the book in the form of an interview with questions and answers clearly differentiated.

From Russia to the West is sphynx-like in this regard. It lacks a preface, questions and answers, any indication (apart from details inferred from the text) of the circumstances in which the information was compiled, a description of the original transcript and what was omitted from it in publication. To the extent that Mr Milstein, like Balanchine in Mr Volkov's earlier interview, is expounding his opinions, there may be no need for such niceties. But to the extent that Milstein, like Shostakovich, is providing information which one day could serve a serious historian, one would expect more rigor from Mr Volkov than his silent partnership avers.

Roland John Wiley

FROM RUSSIA TO THE WEST
by Nathan Milstein and Solomon Volkov, trans. by Antonia W. Bouis
Henry Holt & Co.NY £24.95, 282 pages



Alastair Muir

Peter Flannery's epic *Singer* continues its assault on the RSC with last night's eagerly-awaited opening on the main stage of the Barbican. Antony Sher, left, repeats his award-winning performance as the Auschwitz survivor made good in post-war England. Malcolm Storry, as his brain-damaged companion, answers the call of Singer's conscience.

Everitt is chosen as Arts Council head

With a period of great change ahead of it the Arts Council has played safe and appointed Anthony Everitt, its current deputy – and acting – secretary general, to succeed Luke Rittner, who resigned in April as secretary general in opposition to the devolution proposals which threaten to reduce the Council to an advisory role.

Everitt, 50, was the favourite of both the chairman of the Arts Council, Mr Peter Palumbo, and of the staff. He joined as deputy to Rittner in 1985 and is respected for his energy, his quick thinking and his toughness. He is likely to follow Rittner's policy of openness and accessibility to journalists and staff, but will probably agonise less over difficult decisions.

The challenges will be many. In the next six weeks he has to lead the Arts Council's 160 staff out of their grandiose Piccadilly premises to more workmanlike accommodation in Westminster. He has then to persuade the Minister for the Arts, Mr Richard Luce, to increase the grant to the Council to take account of the higher inflation which has hit the budgets of arts companies since the three-year funding programme was announced. At least an additional £8m will be needed to prevent a rash of closures early next year.

However, the greatest task facing Everitt is to keep the Council together while it eases into a new role as the strategic body for the arts in the UK rather than as the paymaster. A committee headed by Mr Timothy Mason, on which Everitt sits, is devising a new structure which will devolve the funding of most arts companies to the Regional Arts Boards, leaving the Council with a planning and supervisory role. This will mean staff cuts at the Council.

Everitt has obvious qualifications for the job. He has always supported devolution and sided with Palumbo in accepting the policy, on prompting from Richard Luce. His background is in the regions. After journalistic experience at the *Birmingham Post* he ran an arts centre in Nottingham and in 1980 was appointed director of East Midlands Arts.

Everitt beat six other candidates for the £50,000 a year job which is built round a five-year renewable contract. He will have to prove that he can implement his own policies, and provide credible leadership, while working alongside a chairman who commits himself to the Council, in terms of time and energy, as actively and as visibly as any secretary general.

Antony Thorncroft

ARTS GUIDE

July 6-12

OPERA, BALLET AND MUSIC

London

Royal Opera, Covent Garden: *Arabella*, one of the company's more elderly productions, is revived for Kiri Te Kanawa as heroine and Jeffrey Tate as conductor. The cast also includes Marie McLaughlin, Peter Weber and Anne Howells. The first production in London for more than a century of Rossini's *Guillaume Tell* is a mixed success but still worth catching. It is produced by John Cox, conducted by Michel Plasson, and has Gregory Yurisich, Chris Merritt, Lella Cuberli and Robert Lloyd in leading roles. More performances of the company's much-revived *La Bohème* production by John Copley; Antonio Pappano conducts, and principals include Ilona Tokody, Dennis O'Neill and William Shimell.

English National Opera, Coliseum: no performances until August.

Britten String Quartet performs works by Haydn, Prokofiev and Beethoven (Weds). Middle Temple Hall, Temple. (248 4260).

Scottish Chamber Orchestra conducted by Paul Daniel in works by Mendelssohn and Mozart (Weds). Queen Elizabeth Hall (928 8800).

Royal Philharmonic Orchestra conducted by Barry Wordsworth with Margaret Price (soprano) in Strauss's Four Last Songs (Thur). Royal Festival Hall (928 8800).

Borodin String Quartet in works by Schubert, Shostakovich and Beethoven (Thurs). Queen Elizabeth Hall (928 8800).

Paris

Opéra. *La Sylphide* in Pierre Lacotte's choreography replaces *La Bayadere*, which will be produced later on (47425371).

Festival Estival. Orchestre National de France conducted by Theodor Guschlbauer: Haydn, Schubert (Tue). Radio France-Grand Auditorium Ensemble Organum conducted by Marcel Peres: Cistercian chants (Thur), Notre-Dame du Travail Church, 59 Rue Vercingetorix (48049801).

Chopin Festival, Orangerie de Bagatelle. Ends July 15 (45012010, 40679700).

Beaune

International Encounters. L'Orchestre du Siecle des Lumieres, Gand Collegium Vocale, Amsterdam Baroque Chamber Orchestra and Ton Koopman, the Soviet State Symphony Orchestra. June 29-July 22. (80222451).

La Chaise-Dieu

La Grande Ecurieet Chambre du Roy, conducted by Claude Malgoire, Moscow Philharmonic Orchestra. Aug 23-Sept 3. (71094828).

Antwerp

Koninklijke Opera. The Royal Flanders Opera in Tchaikovsky's *Eugene Onegin* conducted by Rudolf Werthen staged by Adolf Dresen with Mireille Capelle, Pavel Chernykh and Chris De Moor (Sat 20.00).

Hungarian Virtuosi with Miklos Szenthelyi, James Brooks Bruzese. Boccherini, Barber, Bartok, Vivaldi (Thur). Concertgebouw (718 345).

Munich

Opera. This year's Munich Opera festival until July 31 starts with of Carl Orff's *Trionfi*, produced by Hans Neugebauer. The main parts are sung by Julie Kaufmann, Eike Wilm-Schulte, Ulrich Ress, Damacio Gonzales and Georgina von Benza. *Salome*, in August Everding's production, stars Helga Dernesch, Josephine Barstow, Bernd Weikl and Hermann Winkler. *Mathis der Maler* has John Broecheler outstanding in the title role, and Alan Titus, Claes H. Ahnsjoe and Sabine Hass in other parts.

Frankfurt

Opera. The successful Kievi brother's opera debut last year has brought them back with a new *Macbeth* production. The cast is led by Rosalind Plowright, Juergen Freier, Rene Pape, Vinson Cole, conducted by house director Gary Bertini.

Stuttgart

Opera. *Der Fliegende Holländer* features Toni Kraemer, Helmut-Berger Tuma and Gwyneth Jones. Further offered Offenbach's *Der Karottenkönig*, and *Don Giovanni*. Last performance of *Der Freischütz*.

Schleswig Holstein Festival

This year's 5th Schleswig Holstein festival, directed by Justus Frantz has been enlarged to nearly 180 concerts in 32 different venues. World class musicians will be performing in towns and villages from Flensburg in the north to Lueneburg in the south. The festival's own orchestra, with 120 members from 22 different countries, will train throughout the summer in Salzau with five different conductors, Sir Georg Solti, Christoph Eschenbach, Jiri Belohlavak, Paavo Berglund and Semyon Bychko and they will be performing 10 concerts during this festival. Soloists include Alban Berg Quartet, Igor Oistrach, Natalia Gutman: Boris Pergamenschikow, Heinrich Schiff, Olaf Baer, Dietrich Fischer-Dieskau, Hermann Prey, Peter Schreier, Arleen Auger, Christa Ludwig, Rudolf Buchbinder, Barry Douglas: Katia and Marielle Labeque, Murray Perahia and James Galway. The programme ranges from Bach to Beethoven, Brahms to Bruckner, Mahler to Mozart, Tchaikovsky to contemporary composers. Until August 19. Information: Kartenzentrale Schleswig Holstein Musik Festival Postfach 3840, 2300 Kiel. Tel (0431) 567080.

Milan

Teatro Alla Scala. Rudolf Nureyev dancing the part of the magician Rothbart in his version of *Swan Lake*, with the Scala corps de ballet and Isabel Seabra as Odette/Odile and Charles Jude as the prince (80.91.26).

Rome

Terme di Caracalla. Rome Opera's open air summer season opens with Mascagni's *Cavalleria Rusticana*, with Ludmila Semchuk, Vyacheslav Polozov and Bruno Pola and Leoncavallo's *Pagliacci*, with the young Italian soprano Fiamma Izzo d'Amico, conducted by Reynald Giovaninetti (46.17.55).

Serenate in Chiostro 1990. Chamber concerts in the beautiful cloister of S. Maria della Pace (Piazza Navona) (6868441).

Roma/Europa festival is spread over three sites: Villa Massimo, which offers the Dresden Tanztheater Staatsschauspiel dancing Dore Hoyer's work *Afectos Humanos*, based on the portrayal of five basic human emotions: vanity, hate, greed, fear and love (Thur); Villa Medici offers Cristina Hoyos performing flamenco dances, while at Villa Borghese can be seen the original version of *Ben Hur*, restored by Thames Television helped by the British Council with the soundtrack played live by the Munich Symphony Orchestra conducted by Carl Davis (Tues) (67.61.243).

Ravenna festival

Teatro Alighieri. Pier Luigi Pizzi's production of Antonio Salieri's *Les Danaides*, conducted by Gianluigi Gelmetti. Daniela Dessi, Jean-Luc Chaignaud and Raul Gimenez lead the cast (32577).

Spoleto

33rd Two Worlds festival. Performances include Richard Strauss's *Elektra* conducted by Spiros Arghiris, in a stark and abstract production by Gunter Kramer, with sets by Carlo Diappi, at the Teatro Nuovo and Mozart's *Le Nozze di Figaro* conducted by Oliver Gilmour at the Teatro Caio Melisso. Also at the Teatro Nuovo is the young French choreographer Angelin Preljocaj, while at the Teatro Romano is Africa Oye': dancers acrobats and musicians from all over Africa, and the splendid Julio Bocca with his Compagnia del Balletto Argentino (40396).

Verona

The Arena. 68th festival opens with a new production of *Aida* by Vittorio Rossi, with Maria Chiara, Nicola Martinucci and Fiorenza Cossotto. Also opening this week (Fri) is Carmen, with Grace Bumbry in the title role and Giuseppe Giacomini, Giorgio Zancanaro and Alida Ferrarini (29151).

Venice

Teatro la Fenice. Concert performance of Beethoven's *Fidelio* conducted by Hans Graf sung in German. The cast includes Mary Jane Johnson, Joanna Kozlowska, James Wagner and Kurt Rydl (5210161).

Turin

Teatro Regio. Gianfranco de Bosio's production of *Aida* conducted by Maurizio Arena, with Bruna Baglioni, Veriano Lucchetti and Giorgio Zancanaro (8815241).

Tokyo

Rossini, Mozart, Verdi programme at Showa Women's University, Hitomi Memorial Hall, near Sangenjaya (Tues) (221 0080).

Krzysztof Jablonski (piano). Chopin, Ravel, Debussy. Tokyo Bunka Kaikan (Thurs) (824 7003).

SALEROOM

A Greek compromise

No sector of the art market causes the auction houses more problems than antiquities. The countries with the finest undiscovered treasures, notably Greece and Italy, have strict rules banning exports and are consequently outraged and litigious when artifacts appear in the saleroom which seem to have been smuggled out in recent years.

Sotheby's came to a compromise on its auction yesterday of antiquities from the Erlenmeyer collection, which had been assembled by the late Professor Hans Erlenmeyer and his wife between the mid 1940s and the early 1960s. The Greek Government objected to the sale of a group of Bronze Age statuary from the Cycladic region. To defuse legal wrangling Sotheby's, and the owners, sold by far the most important object, a male figure made around 2600 BC and probably broken in pieces in antiquity in a ritual ceremony (valued at £200,000) plus a "frying pan" shaped pottery vessel, and a cup shaped vessel, valued together at £20,000, to the Greek Government before the auction.

Buyers were not deterred by the controversy. Among the Cycladic items a Bronze Age pyxis and cover doubled its estimate at £13,200. Elsewhere a Cretan terracotta head of a lion, just over 3 in long, made £33,000 as against a £4,000 top estimate, and a large Boeotian terracotta figure of a goddess, of around 575 BC, sold for £29,600, also over double its forecast. The Ariadne Gallery paid £22,100 for a Greek bronze figure of a wingeds sphinx, perhaps made in Crete around 580 BC, and a terracotta vase of the same period in the shape of a dolphin soared above its £4,500 estimate at £22,000.

The Getty Museum in Malibu California is also having trouble with its antiquities. A kourus, a marble statue of a naked man, acquired for $7m in 1985, has been withdrawn from display because of fears that it is a fake. It was originally dated to 6th century Greece but now a similar kourus torso has surfaced about which there are grave doubts. The Getty fears that both are from the same faker.

Antony Thorncroft

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Tuesday July 10 1990

A fresh wind in Africa

SOME three decades after the retreat of colonialism in Africa, a fresh wind of change is blowing through the continent. From the Ivory Coast to Kenya, from Gabon to Zambia, protestors are demanding political reform and economic relief after decades of decline. For Africans, the challenge is to find new political structures. These must lead to representative governments that can contain the stresses of tribalism and cope with the tensions created by the often arbitrary boundaries that form so many of the continent's states.

For western and other aid donors, the question is whether this search for what the World Bank has termed "better governance" would be encouraged by making assistance conditional on political as well as economic reforms.

There were two main justifications offered by African leaders in the 1950s and 1960s as most of them abandoned the multi-party systems that accompanied independence in favour of one-party states.

The first was that tribalism would dominate party politics once the broad objective of African nationalism had been achieved. Government and opposition parties would, it was feared, be demarcated not by ideological differences but by ethnic loyalties.

It was further argued that newly independent states needed to harness skills in short supply to a common cause, meeting basic needs such as education and health. Parliament would be a forum for debate, and decisions would be by consensus.

In practice, the outcome has been very different. Tribalism remains a potent political force. Many heads of state ensure that key posts are occupied by kinsfolk, and play one ethnic group off against another. Parliaments have become presidential rubber stamps.

Political choice

No clear constitutional alternatives, however, have so far emerged from the wave of protests sweeping Africa. Everyone calls for political choice, but opposition leaders have yet to lay to rest fears, that under a multi-party system, ideology would soon take second place to tribalism. They need also to make clear that they would restore and reinforce the checks and balances on executive power, eroded in the post-independence era.

In the meantime, however, the west can play a constructive role without being unduly prescriptive. Conditions attached to aid should go beyond economic criteria. As Mr Douglas Hurd, the British Foreign Secretary, said recently, donors should consider potential recipients of aid in the light of several criteria. Countries tending towards pluralism, public accountability, and human rights, and market principles, should be encouraged. Governments that are repressive, corrupt, and pursue wasteful policies should be told that aid will go elsewhere.

Appropriate questions

Drawing up a yardstick for such an approach is difficult, but not impossible. Professor Ali Mazrui, a Kenyan, who is one of the continent's leading scholars, recently suggested some appropriate questions. How many political prisoners does the country under examination currently have? How many such prisoners have there been during the last five years? What proportion of revenues are spent on the armed forces? To which may be added: Is there a free press? Does the constitution, in practice, allow challengers to the chief executive?

How Africa eventually combines economic reform and representative government is ultimately up to Africa, not outsiders. But in southern Africa the effort is getting under way.

It was in Cape Town in 1960 that Mr Harold Macmillan warned white South Africans of the coming changes. It would be ironic if the fresh wind needed in the 1990s were to blow not southwards from Cairo, but in the reverse direction. Namibia's encouraging start under a multi-party independence constitution – and South Africa's search for a system of government which allows freedom of political association, a free press, an independent judiciary and protection for minorities – may yet prove an inspiration to the rest of Africa.

Don't delay on community care

THERE are worrying signs that the UK Government may postpone implementation of its community care policies until after the next general election. This reflects fears that the transfer of responsibilities to local authorities planned for next April could put significant upward pressure on the poll tax. Ministers are also concerned that central government, rather than local social services departments, will be blamed if the the transition results in any disruption of care for the elderly, handicapped and mentally ill in the run up to the next election.

The existing system of community care is undoubtedly flawed. At the heart of present difficulties is the fact that responsibility for care is split between many bodies, including local social services departments, hospitals, voluntary agencies and general practitioners. Poor co-ordination has resulted in a patchy network of services for the most vulnerable groups in society. Many mentally ill people, for example, have been discharged from hospital without anybody ensuring that appropriate community-based care is available. The problems have been exacerbated by severe underfunding of services.

The other big drawback has been a perverse system for financing social care. Income support has been available to fund private residential care but not to pay for cheaper – and often more appropriate – domiciliary services. The upshot is that private institutional care expanded rapidly during a decade when ministers were seeking to promote community-based alternatives.

Needs assessment

Last year, after a 14-month delay, the Government finally decided to implement most of the recommendations of the 1988 report on community care by Sir Roy Griffiths, the Prime Minister's special health adviser. It agreed that local social services departments should assume overall responsibility for community care and that financing mechanisms be reformed. On present plans, public support for residential care is to be available only if a "needs assessment" shows that domiciliary care would not be sufficient. The redirecting of social security cash to local authorities is intended to put residential and domiciliary care on an equal footing for the first time.

In recent legislation, the Government failed to follow Sir Roy's advice in only one important respect. Sir Roy argued that central government cash for community care ought to be "ring-fenced" to prevent hard-pressed local authorities spending it on something else. Mr Kenneth Clarke, the Health Secretary, disagreed, on the dubious grounds that this would undermine local autonomy. Following pressure from the House of Lords, however, Mr Clarke has accepted the case for specific grants for the treatment of alcoholics and drug abusers, as well as for the mentally ill. Ideally, he should find a way of earmarking a larger proportion of grants.

Professional consensus

Pressure for a delay in the implementation of legislation is ironic. Uniquely in the field of social policy, the Government's reforms here reflect an emerging professional consensus: NHS consultants may oppose the "internal market" and other health care initiatives, but the great majority of social services directors support the broad thrust of the Griffiths-inspired community care reforms. Many are keen to play the "enabling" role advocated by ministers – in other words to purchase packages of care from competing providers in the voluntary and private as well as public sector.

Local authorities are in varying states of readiness for their new responsibilities. But all have long-running experience in the field of community care. The most serious obstacle to planning service provision is the Government's reticence about the amount of cash that will be redirected to authorities in lieu of income support for residential care and its reluctance to admit that these reforms, like those of the NHS, need to be lubricated. A sufficiently generous central subvention would obviate the need for a politically-damaging rise in the poll tax. Community care should have been reformed years ago; further delays would be wrong.

David Churchill looks at the internationalisation of a leisure industry

Europe's growing hotel appeal

A Dutchman in charge of a well-known, Japanese-controlled hotel chain once owned by an American airline and a British brewer decided last month to relocate his company's international headquarters from New Jersey in the US to London. The intention is to launch a new drive into continental Europe and it reflects the growing internationalisation of what is still a highly fragmented European hotel industry.

Mr John Van Praag, newly-appointed chief executive of the 112-strong Inter-Continental hotel chain which is moving its headquarters to London, believes that growth in the business and up-market leisure travel markets in Europe will provide the greatest opportunities in the 1990s. "Clearly we're not alone in thinking this, since it looks like becoming a very competitive business to find the best sites," he says.

Not only are American-based chains such as Stouffer and Hyatt targeting Europe for expansion, so too are the British-controlled international chains, Holiday Inn and Hilton International, and Hong Kong-based groups such as Mandarin Oriental and Regent.

Japanese investors, moreover, are investing heavily in European hotels: the Adachi Enterprise Group of Tokyo, a privately-owned company, has put $400m into a joint venture with Marriott, the American chain, to develop up to nine European hotels.

Within Europe itself there is a new move by national chains to go international. The UK's leading hotelier, Trusthouse Forte, is slowly building a continental European strategy after years of under-representation across the Channel. It has, for example, recently concluded a joint-venture agreement with Repsol, the Spanish petrol retailer, to develop 100 Little Chefs and Travelodges in Spain over the next five years.

Its strategy for expansion has been some way behind the Essex-based hotel group, Queens Moat Houses, which yesterday announced the £45m disposal of two surplus UK hotels following a successful bid earlier this year. The group decided early in the 1980s to pursue growth on the Continent: it now has some 70 continental hotels, of which 30 are in West Germany.

"We went into the Continent because prices were much cheaper than in the UK and it cost less to borrow there," says Mr Martin Marcus, Queens Moat's deputy chairman. "With hindsight it now looks a pretty good move, especially as prices are still lower due to a smaller inflation rate."

It costs on average £75,000 per room to build a new hotel in West Germany, for example, compared to £110,000 in the UK.

But Mr Rocco Forte, THF's chief executive, believes THF was right to wait. "We don't believe in over-paying for properties and decided to wait until the right opportunities at the right price came along," he insists.

European growth, moreover, has not been all one way. The French group Accor, for instance, formally opened two new hotels last month, under the Ibis and Novotel names, in Southampton, to bring its total in the UK to 30. "We want to have about 300 hotels in the UK by the end of the 1990s," says Mr William Miller, chairman of Accor's UK operations.

Accor has not singled out the UK: it has also developed chains in Italy, Spain, and the Netherlands, either by acquisition and joint ventures. "Basically, we are prepared to consider many different methods of financing to fund our expansion," adds Mr Miller. Earlier this year, Accor launched a FFr1.8bn rights issue to help finance its growth.

Three main factors make Europe attractive to hoteliers, both within Europe and overseas:

● 1992. The arrival of the single market will lead to a strong surge in business travel throughout Europe, the hotel industry believes. "This will be the biggest single spur to business travel and hotel usage in the 1990s," says Mr Geoff Parkinson, a senior analyst with the Horwath and Horwath hotel consultancy company. "It will bring a new strategic awareness to the importance of Europe as a whole. It will rival the US in terms of the size of the market."

This projected growth of business travel will be helped by the increased use of hotels for meetings, conventions, and for training purposes, hoteliers believe.

● *New Markets.* The opening up of eastern Europe over the past year has focused attention on the potential for hotels but at the same time created considerable frustration. "It's a very slow process with a lot of red tape to cut through," says Mr Terence Barlow, European operations director for Marriott hotels.

Marriott has been more fortunate than most in cutting through this red tape. Earlier this year it opened a 520-room hotel in Warsaw, its first property in eastern Europe and its 500th hotel worldwide. The hotel was a joint venture with Lot, Poland's international airline.

While most other international chains have already managed to open hotels in eastern Europe – usually as joint ventures with local operators or simply franchising their name – progress on building new hotels remains painfully slow. At least four new international hotels in Moscow, for instance, are a year behind in construction – causing accommodation shortages for travellers to the Soviet capital this summer.

THF, for example, has been forced to seek fresh finance for its flagship hotel in Moscow, the refurbished Hotel Bucharest opposite the Kremlin, in a joint venture with the local Soviet. "These things operate rather slower there," admits Mr Forte.

Hoteliers also see less benefit in the short term from east Europeans coming to the west and using hotels. "They don't really have the money as yet to stay in western hotels, apart from some East Germans, but in the long term they will become a factor," says Mr Marcus.

● International travel. The growth of international travel shows no sign of abating: the World Tourism Organisation says that there were almost 250m international airport arrivals throughout Europe last year, compared with 194m in 1980.

Moreover, the WTO predicts that travel on a world basis will continue to grow by an average 4 per cent a year until 2000.

Such international travel will be helped by the inflow of visitors to Europe from Japan. At present, the Japanese are low down in the league table of travellers – only just over 6 per cent of the population travelled overseas last year, compared with about 30 per cent of Britons or West Germans. The Japanese Government is keen to boost this number considerably over the next few years to help reduce its huge balance of trade surplus with the rest of the world. "We are confident of getting our share," says Mr Forte.

European hoteliers' strategy to capture these markets will be to segment and brand their products. The leading international chains have always tended to rely on their names as brands to reassure the traveller overseas. Hence a traveller staying in a Hilton, Holiday Inn or Inter-Continental could be confident (although not always) of a certain level of standards anywhere in the world.

Yet in the 1990s this is unlikely to be a sufficient marketing pull. The main players are increasingly trying to identify niche markets and develop hotel "products" to fill them.

Budget, or mid-priced hotels, are such a niche market, which some hotel operators are seeking to spread throughout Europe. These hotels are aimed at the cost-conscious business or leisure traveller who wants a high standard of hotel without some of the frills, such as room service or an in-house restaurant. They go under such names as Garden Court (Holiday Inn) or Courtyard (Marriott).

Accor is the classic example of this niche strategy. Few of its guests would recognise its name, yet it offers a range of hotels in the countries in which it operates, aimed at attracting particular types of customers on different occasions.

Its niche brands include: Sofitel, aimed at the city centre luxury market; Novotel, four-star ventures sited closed to airports or motorways; Ibis, two-star hotels aimed at the family market; and Formule One, very basic accommodation, with shared facilities, and entry via a credit card since there is no reception desk.

Even the main international chains have redefined their properties to let their customers know exactly what is being provided while still offering the reassurance of a familiar name. Hence the up-market naming of certain hotels as a Holiday Inn Crowne Plaza or a Hyatt Regency.

'There is really no such thing as a pan-European market for hotels. Rather, there are a lot of separate markets each of which requires the right approach to be successful'

But even the development of such niche brands remains the exception rather than the rule. Most European hotels are small, family-run businesses or independently-run operations. "It's significant that we can be the leading international chain in West Germany with just 30 hotels," points out Mr Marcus from Queens Moat Houses.

Germany's leading hotel group Steigenberger, for example, has the bulk of its 31 hotels either under ownership or management within West Germany. It does have a relatively minor presence in Austria, Italy, Switzerland, and Turkey – but it is eastern Europe where it is looking for growth.

Italy's Ciga Hotels group, in which the Aga Khan's investment company Fimpar Spa has a majority holding, has some 44 hotels in total, with 14 outside Italy, mainly in Spain, France, and Austria. It has recently taken a more active approach to acquiring luxury hotels in other European capitals: last month, for example, it bought the Hotel Pulitzer in Amsterdam for L50bn.

"There is no really such thing as a pan-European market for hotels," says Mr Forte. "Rather, there are a lot of separate markets each of which requires the right approach to be successful."

He points out that while leading hotel companies in Britain and France control about a quarter of the hotel accommodation, with the rest in private hands, even this level of penetration by chains of hotels is much lower in countries such as Italy, Spain, and West Germany.

"But I think that hoteliers which can put together a well-run and cohesive European strategy have plenty of opportunities to grow in the decade ahead," he adds.

Yet while all attention is being focused on European hotel markets, a gap clearly remains in some parts of the UK. In recent months three senior executives from leading hotel groups have all left the security of big company employment to go it alone, albeit with plenty of venture funding.

Mr John Jarvis left the top job at Hilton International to start his own company, and is currently negotiating with Allied-Lyons to buy its Embassy hotel chain. Mr Peter Tyrie, former managing director of the Mandarin Oriental Hotel Group, failed to buy the Norfolk Capital chain earlier this year (it went instead to Queens Moat Houses) but still hopes to put together a luxury hotel group under the Balmoral banner. And Mr Peter Gee and other senior colleagues from Holiday Inn in the UK left to form Periquito Hotels: they have three hotels so far.

Mr Gee provides a warning on the current trend towards building large-scale pan-European chains. "While there are certain advantages to running hotels as part of a major international chain, it all comes down to the level of service and control you can give each individual hotel," he says. "It will probably be a long time before the mega-chains are really in a position to dominate Europe."

European hotel market

COMPANY	COUNTRY	ROOMS	HOTELS
Hilton Hotels	US*	95,862	271
Holiday/Bass	US*/UK	406,057	2,121
Trusthouse Forte	UK	74,800	793
Accor	France	62,410	534
Club Mediterranee	France	53,733	212
Sols	Spain	29,450	110
Ladbroke	UK	26,450	110
Wagons Lits	France	24,540	187
Grupo Unidos	Spain	22,000	125
Meridien	France	18,000	53
Societe du Louvre	France	15,876	164
Crest	UK	9,758	79
Iberotel	Spain	7,900	37
Queens Moat Houses	UK	7,749	87
Mount Charlotte	UK	6,935	58
Penta	UK	6,893	15
Lonrho	UK	6,120	12
Ciga	Italy	5,451	33
Melia	Spain	5,340	17
Climat de France	France	5,024	124
Steigenberger	W.Germany	5,000	30
Maritim	W.Germany	4,980	23

* Includes hotels in US

Source: DAFSA (Panorama of EC Industry 1989)

	GDP US$BN	TOURISM REVENUE US$BN	%SHARE OF GDP
Belgium	150.04	3.04	2.03
Denmark	107.56	2.29	2.13
France	949.93	12.72	1.34
W.Germany	1201.76	10.56	0.88
Greece	52.49	2.42	4.62
Ireland	32.49	0.84	2.61
Italy	828.86	13.61	1.64
Luxembourg	6.56	n.a.	n.a.
Netherlands	228.29	2.92	1.28
Portugal	41.70	2.31	5.54
Spain	340.11	17.78	5.23
UK	822.82	11.93	1.45
TOTAL	4762.61	79.26	1.66

Source: Eurostat, World Tourism Organisation, OECD

OBSERVER

Knights clash over TV

■ Relationships between Andrew Knight, Mr Rupert Murdoch's executive chairman at News International and his old employer, the Daily Telegraph, appear to be becoming more civilised again. This is welcome after the rather distressing public dispute at the beginning of the year when Mr Knight, the former Telegraph chief executive, transferred his loyalties, rather suddenly some people thought, to Mr Rupert Murdoch.

Yesterday, Mr Knight was given the main feature slot in the Daily Telegraph to argue Mr Murdoch's cause that the plethora of television channels that satellite television can bring undermines the arguments of those trying to impose strict limits on cross-media ownership. Mr Knight, it seems, simply asked Telegraph editor Max Hastings for the space to reply to Channel 4 's chief executive Michael Grade, who had earlier argued for ownership controls on Mr Murdoch's television and newspaper empire.

However welcome this rapprochement may be, it is clear that Mr Murdoch is facing a tough fight in his bid to hold on to both Sky TV and his UK newspaper empire. A letter in yesterday's Independent from a heavyweight group of people led by Sir Frank Cooper, a former senior civil servant, urged the need for strict cross-media controls. One name surprisingly absent from the letter was that of Sir Trevor Holdsworth, the chairman of BSB, who has been trying to drum up support to curb Sky TV.

Lobby man

■ Daimler-Benz, West Germany's biggest company, which has been spreading its wings from purely motor cars into the aerospace and electronics field, has raised a few eyebrows by hiring a top ranking American diplomat to head its representative office in Washington.

He is Richard Imus, 52, and until last month he was number three in the US embassy in Bonn, in charge of economic and trade affairs. Having served in the US diplomatic service for 27 years, he took early retirement from the State Department to take up the post. In Bonn, he has been closely involved with matters such as the European Airbus venture and East-West technology transfer controls - subjects which play a central role in Daimler's delicate corporate relations with the US.

A fluent German speaker with a good knowledge of German history, Imus is generally reckoned to have done a fine job in Bonn. He has in the past been vaguely irritated by penny pinching in the US government service - something which should not worry him with big spending Daimler.

Eau by gum

■ The bugs at the Knostrop sewage works, in Leeds, are not going to know what has hit them. Any day now they are going to have a monumental hangover after digesting 9 tons of wine which has gone off. The bugs - a key part of the organic sewage treatment process – have to be given the weekend to recover, so Yorkshire Water, owners of the giant Knostrop works, say that they can only get rid of the wine on a Friday.

Waste management is big business these days, and Yorkshire Water's biologists are anxious to make sure their working bugs stay in tip top form, even if it means breeding a few more. They recently handled 5000 gallons of blood with no obvious adverse side-effects. Not that every Yorkshire Water bug's life is so onerous.

"It's not all a round of formal receptions and cocktail parties."

When Perrier had to dump 400,000 gallons of tainted mineral water, it is understood that the Knostrop bugs won the contract.

More waste

■ It is nice to know that UK stock brokers are continuing to ensure that the UK's waste management industry is never short of work. Citicorp Investment Bank's latest offerring, a 178-page study of the affairs of half a dozen UK companies with a total market capitalisation of £1.2bn, carries a £500 price tag. On the basis of the old polluter pays principle, Citicorp has some nerve charging its clients this exorbitant sum.

Homesick

■ Murray Johnstone of Glasgow has poached another homesick Scottish fund manager from London with the signing up of the Prudential's pension fund boss Giles Weaver. His new boss will be Nicolas McAndrew, lured two years ago from the investment chief's chair at N.M.Rothschild.

In four years at the Pru Weaver has trebled the size of pension funds under management and taken Prudential Portfolio Managers to fourth or fifth in the pensions league table, with £9¼bn under management. So why, at 44, is he shifting to a Scottish boutique only about 15th in the list?

It turns out that his wife and four children in East Lothian have grown tired of his weekly shuttle commute. "They've been grumbling," he says. Also "the Scottish approach to investment is more interesting. It is more courageous and looks to the longer term". So when the call from Glasgow came the deed was done, and both the Pru and British Airways will be the losers.

Knowledge

■ Some good and bad news from the world's taxi cab ranks. East Berlin taxi drivers have scored what could be a historic first for their profession – they went on strike yesterday to campaign for lower fares. The cabbies are complaining that new hard currency rates are depriving them of custom. Since the two Germanys merged their economies eight days ago, fares in the city have more than doubled. Drivers say that on present takings they would earn as much on the dole. Although East Germany has officially become a free market economy, state bodies still fix many prices including taxi fares.

However, a traveller in Papua New Guinea, who thought that he'd been caught out by every excessive taxi fare trick in the book, has found a new one. Having hired a cab to his Port Moresby office, the driver asked for 10 kinas more than the usual 12 kinas fare. When challenged, the driver opened the glove compartment to reveal a meter already displaying 22 kinas.

LETTERS

A step towards resumption of the gold standard

From Mr Hamish Watson.

Sir, In his recent speech to the Institute of Economic Affairs, Mr Karl Otto Pöhl, president of the Bundesbank, advocated that the proposed system under European monetary union (EMU) should be "empowered to pursue price stability as its primary objective." The central bank would need operational autonomy, and its "success in ensuring price stability should be taken as adequate testimony to the central bank's accountability."

While autonomy for a central bank in the present climate could lead to a reduction in the rate of inflation, which would be a positive development in the short-run, the goal of price stability is not in itself an adequate criterion for the regulation of the money supply, and could not be expected to underpin the independence of the proposed European central bank over the medium and longer term.

The relations between price inflation, the money supply and economic activity differ with the differing phases of the economic cycle and with changes in wider economic conditions. In consequence, no general relations between these factors have been discovered in empirical economic research that have a sufficient degree of uniformity to permit the application of a single criterion for the regulation of the money supply adequate in all circumstances.

This is not simply an abstract consideration of principle. The extreme and classical example of what can happen if price stability is used as a guide to monetary policy comes from the late 1920s. Robbins originally argued that the virtually stationary price-level in the upswing of the late 1920s in the US blinded contemporary observers to what was going on and masked a destabilising underlying inflation brought about by the Federal Reserve in its bid to maintain price stability through credit expansion. The Federal Reserve's error of management was thought to be heavily implicated in the subsequent severe recession. Among economists, Keynes – who had been calling for more cheap money during the expansion – later admitted that at the time of the expansion he took the view there was no inflation and this, he said, would be the view of anyone who judged by the index of prices.

The difficulty of an adequate touchstone for monetary policy is not fully resolved by taking into account other main indicators of monetary inflation and conditions, such as money supply and credit expansion, the exchange rate or financial market movements. Account also needs to be taken of the phase and mechanisms of the economic cycle, of the conditions of business cycle stability at any given time, and of a wide range of factors, which condition the effects of a given rate of inflation or change in the money supply.

The position in these respects is not altered under the gold standard, where there is a single touchstone. In this case, a touchstone is instituted by law, rules are laid down for its administration, and the regulation of the money supply is effectively taken out of the hands of government. The standard operates essentially by limiting the scope for inflationary bias and errors, and not because there are any more certain grounds on which the significance of the ebb and flow of the stock of gold in the central bank can be precisely fathomed.

It is a merit of Mr Major's proposals for a common European currency that they could provide an evolutionary basis for the eventual resumption of the gold standard, which would permit monetary union in Europe with the retention of national sovereignty. The gold standard or a similar institution is in principle the only effective criterion for the regulation of the money supply on which there could be universal agreement, as no sufficiently clear-cut criteria have or could be found or agreed for the successful administration of a paper money inflation on an enduring basis.

It would be unfortunate for Europe if the inadequacy of price stability or monetary targeting as criteria for the control of the money supply and for central bank independence was more fully realised after the bank was instituted rather than during the preliminary discussion stages. Sovereign states cannot be expected, as Mr Pöhl's formula indicates, to tolerate the independence of the European central bank in monetary affairs if errors are going to be made by the bank, which, in the absence of adequate touchstones, are a matter of time. It is to be hoped that the Chancellor's proposals will provide the occasion for a more wide-ranging debate on the complex economic issues involved in the regulation of the money supply. Given sufficient time to contemplate the complexities involved, the merits of the Chancellor's approach may well become better appreciated in Europe.

Hamish Watson,
Brockett Publishing,
10 Milton Road,
Impington, Cambridge

More severe hazard to banks from clean-up costs

From Mr Trevor Adams.

Sir, The hazard to banks resulting from liability for environmental clean-up costs, notably under the Superfund legislation in the US, is in fact more severe than that suggested by Mr Derek Wheatley QC ("Green issue poses a new hazard to banks," July 5).

He states that the bank which enters into possession of land could become liable under Superfund as an owner or operator. In fact, the case of US v Fleet Factors Corporation heard before the eleventh circuit of the US Federal Appeals Court, May 23, 1990, has extended lenders' liability.

In this case, the lender realised its security interest in plant and equipment, but never foreclosed on the land. In spite of this, the court ruled that the lender was liable for the clean-up costs involved. The previous distinction between financial management and operational management was essentially rejected.

The key sentence from the judgment is: "Rather, a secured creditor would be liable if its involvement with the management of the facility is sufficiently broad to support the inference that it could effect hazardous waste disposal decisions if it so chose." In other words, it is enough that the creditor was in a position where it could have had an effect on such decisions, whether or not it actually chose to exercise that power.

It may be of some comfort that an eminent US environmental lawyer is of the opinion that this decision is so draconian as to be impractical in the commercial world, and that a rehearing of the case may tone down this decision, or representations will be made to Congress to amend the Superfund legislation.

Trevor Adams,
Ashurst Morris Crisp,
Broadwalk House,
5 Appold Street, EC2

From Mr David Kinnersley.

Sir, As to rivers, Mr Wheatley's comment that little civil liability for pollution damage exists under present law seems misleading. The liability to civil claims and damages is clearly there – and sometimes made good use of by the Anglers Co-operative Association. But what often obstructs such remedies is the difficulty of showing, amid so many diffuse sources of pollution and to the level of proof that courts require, the chain of causation from specific damage to a specific polluting discharge or activity. Thus polluters may expect to escape liability for the effects of their actions on their neighbours, even though the civil law recognises that they should not.

In this setting, the European Community's draft directive on waste damage has surely a more constructive aspect than those worrying Mr Wheatley. If banks and other lenders will come to regard land generating pollution a poor security, sensible owners and occupiers will take more care to prevent their asset being devalued in this way by their own conduct and activities.

Elsewhere the FT reports the Welsh Secretary of State as encouraging the National Rivers Authority to take tough (criminal) action against polluters. Welcome as such support is, a pressing need is for more and stronger incentives to prevent pollution arising in the first place. If the EC draft directive offers even a modest spur to that, Mr Wheatley should not lobby against it.

David Kinnersley,
111 Church Street,
Chesham, Buckinghamshire

Joule and Ecu

From Mr John P.C. Dunlop.

Sir, If the European Community wishes to remain a permanently hard currency area why not put the Ecu on the Joule standard? The Joule is an invariable internationally accepted standard measure of energy. As energy production and consumption is a direct measure of the activity of any modern economy, by doing this the EC would achieve the establishment of the first ever permanently stable currency.

John P.C. Dunlop,
The Resource Use Institute,
Atholl Estates Office,
Blair Atholl, Perthshire

Austria's social partnership

From Mr Mark Carley.

Sir, I think it important to correct the impression given in your Austria survey (June 25) that the "social partnership" (sozialpartnerschaft) is a "social contract forged between government and unions."

Austria's unique post-war system of economic and social partnership involves all sections of society, including both organised labour (through trade unions and the Chambers of Labour) and employers (principally though the Chamber of the Economy).

It is the fact that the partnership system involves both sides of industry that has made it so successful in helping to achieve both social stability and relative economic success.

A comparison with the strife and civil war experienced during the first republic underlines the system's value, as does a comparison between Austria's industrial action statistics (seven strikes in 1989, with some 3,000 working days lost) and those of countries without such an "unfair and stifling" framework.

Mark Carley,
Editor,
European Industrial Relations Review,
18-20 Highbury Place, N5

One academic's response to market forces

From Mr Simon Taylor.

I note with interest your report ("Market for graduates is toughening," July 5) that the average starting salary for a 21-year-old graduate with a second class honours degree is £11,875. You may be interested to know that a 28-year-old with a first class degree (and two more besides), teaching economics at Cambridge University, receives about £1,000 a year more than this. Your readers' instinctive reaction would doubtless be that surely such a person would respond eventually to market forces. They would be correct.

Simon Taylor,
St Catherine's College,
Cambridge

ABP employees

From Mr Alastair Channing.

Sir, John Gapper's report ("Dock work-rate rise after scheme abolition," July 5) reviewed a Department of Employment Gazette study and specifically commented on "a move in some ports towards more temporary contracts." King's Lynn is then used as one of two examples.

ABP's policy is that only permanent employees should be engaged in cargo handling. At King's Lynn Docks, where ABP is the sole stevedore, the employees who supplement the "core" cargo handling force of former registered dock workers are all permanent employees of ABP.

Alastair Channing,
Director, Resources,
Associated British Ports,
150 Holborn, EC1

Economic crises in Africa: Mr Fraser's and contrary advice

From Mr Adrian Hewitt and Professor H.W. Singer.

Sir, Permit us to question the recent assertion, so widely given attribution as the new view of the United Nations ("Commodity failure central to African crisis," June 19), that real growth opportunities exist in primary commodity production for export and that, for Africa in particular, this is the only way to solve the various economic crises of a continent of some 50 nations. The recent report of Mr Malcolm Fraser's committee to the United Nations Secretary-General states this view most starkly.

An alternative thesis, which has determined broad areas of economic policy and development spending over the past 40 years, has been that developing countries would be unwise to rely on the export of primary commodities as the main engine of their development.

We readily recognise flaws in the old blanket assertion that poor countries would never grow rich from raw commodity exports (Saudi Arabia did, but did Iran and Nigeria; and did they all develop?) or in the interpretation of the theory which maintained that industrial import substitution, at any cost, was the only route to development.

Yet the striking success of countries like South Korea were achieved through the expansion of exports of manufactures and while Africa's options now are very different, we are hard-pressed to hear echoes of the Fraser message that African countries should aim to increase their dependence on commodity exports.

Even the successful agricultural commodity exporters of Europe and North America, who are producing in and selling to rigged markets, do not forswear industry and technology or advocate that their own economies become progressively less diversified.

Africa's commodity performance over past decades has been as bad as its performance in other economic sectors, not worse. Already Africans are becoming fed up with receiving conflicting advice from their creditors. With single or dual commodity dependence (for export earnings purposes) already more acute in Africa than anywhere else, they hardly need to be told to reduce their economic diversity further.

Nor should we speak for Africa – our professional persuasion would, in any case, veer in favour of examining evidence and analysing trends rather than making incautious assertions. But we cannot resist putting forward, with respect, a view which perhaps more adequately represents both Africa and the UN.

At a conference on the Prospects for Africa in the 1990s organised by the Overseas Development Institute in the House of Commons last month, Mr Kenneth Dadzie said: "The product composition and traditional patterns of African country exports, most of which are raw materials destined for OECD countries, are generally less favourable than those of other developing countries. The demand for these commodities has been depressed owing to structural factors that are not likely to change for the better in the 1990s.

"Continued action to strengthen commodity markets and to expand and stabilise commodity export earnings is of course necessary to mitigate the effects of the commodity export dependence of African countries. However, the problems associated with dependence on a limited number of commodities, particularly vulnerability to changing market conditions and instability in export earnings, can only be solved in the long-term through diversification."

Mr Dadzie as a distinguished Ghanaian is, unlike us, entitled to speak for Africa. More to the point, he is Secretary-General of the United Nations Conference on Trade and Development and so does speak for the UN, while Mr Fraser speaks to the UN. The Fraser Report's cavalier treatment of commodity-related issues such as diversification, export earnings instability, international commodity agreements (and the UN Common Fund in Amsterdam) and adjustment in an African context is unworthy of his committee. Nor does its view that Africa should abandon development and go back to producing commodities command support elsewhere in the UN system – World Bank included – or among development economists like ourselves.

Cocoa and coffee producing countries in Africa which have just lost half their foreign exchange revenues over the past two years know this well, but so should the humble coffee-sipping, chocolate-nibbling consumers that we, and your readers, are.

Adrian Hewitt,
Overseas Development Institute,
Regent's College,
Regent's Park, NW1,
H.W. Singer,
Institute of Development Studies,
University of Sussex,
Brighton

FOREIGN AFFAIRS

Where are you, Marshall and Monnet?

Edward Mortimer puts the case for an eastern European recovery programme

Exactly a year ago this column argued that western Europe should take the lead in drawing up "a new Marshall Plan" for eastern Europe. The idea was not very popular among western economists, but politically I was on the right wavelength. A few days later, at the G7 summit in Paris, the European Commission was entrusted with co-ordinating aid to eastern Europe from a group of 24 countries.

A year later the discussion appears to have moved on. The G7 leaders in Houston are locked in argument about aid to the Soviet Union. The case for aid to eastern Europe is taken as read.

Ten days ago the Organisation for Economic Co-operation and Development, in its six-monthly report on the world economy, stressed, quite correctly, that "the key to successful development is not primarily finance from abroad, although this can help." That in no way contradicts the validity of the Marshall Plan concept. The Marshall Plan was, precisely, an effort by the US to help Europeans help themselves, and today there is an argument among economic historians about the nature of the help it gave: was it an objective economic stimulus, or was its importance really in the psychological field, convincing Europeans that there was hope, that hard work and investment could bring rewards? It doesn't matter all that much, because either way the precedent is relevant to the situation in eastern Europe.

Many people probably imagine that the equivalent of a Marshall Plan for that region is already in place. It is not. The bad news in the OECD report is that on present form there is no prospect of finance from abroad materialising on anything like the scale that is needed. In fact it questions whether net resource flows from the West will even compensate eastern European countries for the income they will lose by the ending of Soviet energy subsidies (conservatively estimated to have been worth $5bn a year).

Particularly desperate is the plight of Poland, which has been by far the boldest country in taking the leap straight to market prices, with consequent severe hardship for much of the population, and now the prospect of rapidly rising unemployment as well. According to the Polish finance minister Leszek Balcerowicz (hero of western monetarists), "without a solution to the Polish debt problem society cannot improve its standard of living, and it is not known how long the public's patience can be stretched." It is against this background that the rising political tensions within Solidarity should be understood.

Other eastern European countries have less acute debt problems, but in all of them there is a real danger that, without western financial assistance, balance-of-payments problems will choke off the recovery of investment, and of living standards. And probably even more significant in the long run is access to the western European market, especially for agricultural products. Historically, eastern Europe was an important source of food for western Europe. This pattern was disrupted by the cold war, but now the EC's common agricultural policy threatens to perpetuate the disruption. As the Commission's "background brief" euphemistically puts it, "self-restraint agreements covering agricultural products are in force with most eastern European members of Comecon. Trade in these products is therefore excluded from the corresponding co-operation agreements."

The bad news is that on present form there is no prospect of finance coming from abroad on anything like the scale needed

In short, while eastern Europeans still have a great deal to do "to help themselves," their chance of success depends on the West, and especially western Europe, taking a much more generous attitude than it has so far done. Meanwhile it has become a western fashion to wring one's hands, as the Archbishop of Canterbury was doing on Sunday, about "the spectre of fresh and rival European nationalisms which have been the ultimate cause of two global wars."

The Archbishop called on other Christian leaders to respond by learning "to speak and act together on a wider level than the nation state." That may sound like pious rhetoric, but in the 1940s it was precisely what western political leaders did. In western Europe today nationalism can still cause violence on a small scale (especially after football matches) but no one expects it to provoke another global war, or even a local war between nation-states. Why? Because the economies and societies of western Europe have been woven together in a shared prosperity. That did not happen by accident. It was brought about by acts of policy, of which the two most significant were the Marshall Plan and the creation of the European Coal and Steel Community.

Both were largely the work of Europeans, but stimulated by American leadership and American economic leverage. Throughout the late 1940s and early 1950s the unification of western Europe was one of the main objectives of US foreign policy. Americans had twice in 30 years been caught up in wars caused by "rival European nationalisms" and were determined to avoid another. Marshall did not announce a unilateral US aid programme to Europe. He called on the Europeans to agree on a joint recovery programme which the US would finance. The programme was in fact drawn up (with American advice and assistance) at a conference of European states, later institutionalised as the Organisation for European Economic Co-operation, which later still expanded into the OECD.

One feature of it was the creation of a European Payments Union, which lasted until 1958. This enabled European states to assist each other's recovery by retaining and spending within Europe the currency they earned from exports to each other. This too was encouraged by the US although it involved discrimination against American goods and was contrary to deeply-held American economic principles.

Not long afterwards Jean Monnet persuaded Robert Schuman to launch his plan for a pooling of France and Germany's most strategic interests, arguing that an interpenetration of the two economies under a supranational authority would make war impossible in a way that mere intergovernmental co-operation never could. This project too was encouraged by the US, as was its abortive (because premature) successor, the plan for a European Defence Community.

Isn't it about time a similar connection was drawn between economic need and political danger in eastern Europe? This time last year I identified intra-east-European co-operation as one respect in which the Marshall Plan precedent regrettably could not be followed, because of "the uneven pace of political development in different eastern European countries:" at that time only Hungary and Poland appeared ready to undertake the necessary reforms. Now Czechoslovakia has joined them (we need not worry about East Germany), and the Balkan countries are in a state where economic leverage could well tip the scale between democracy and dictatorship. The difficulties about economic co-operation arise from jealousies and suspicions between the states concerned, and from a shared dislike of the phoney unity previously imposed through Comecon. But those are actually reasons why an initiative from outside is necessary, and why it must come from the West.

The Soviet Union is clearly more problematic, if only because of its sheer size, and needs to be treated as a case apart. But western Europe can and should play its part in the consolidation of last year's democratic revolution in eastern Europe. The time has come for the EC to proclaim its willingness to provide financial assistance, and market access on preferential and concessionary terms, to those eastern European states that will join together in a programme of recovery through co-operation and the pooling of resources.

FINANCIAL TIMES
Tuesday July 10 1990

Albania to make sweeping reforms

By Judy Dempsey, East Europe Correspondent, in London

THE ALBANIAN authorities, anxious to contain growing instability as thousands of would-be asylum seekers prepare to leave the country, yesterday announced sweeping government changes to speed up economic and political reforms.

ATA, the official news agency, said the ministers of light industry, food industry, public services and internal trade had been replaced.

The dismissals spearheaded by Mr Adil Carcani, the Prime Minister and close ally of President Ramiz Alia, follow days of intensive discussions in the leadership.

Among those to go is Mrs Vito Kapo, a hardliner and minister for light industry. She was a staunch ally of Mr Enver Hoxha, the founder of the ruling Albanian Party of Labour, who died in 1985.

The changes follow recent reports in Zeri i Popullit, the party daily, which spoke openly of food shortages, incompetence by managers and attempts by bureaucrats to block the cautious reforms Mr Alia has attempted over the past year.

Economic reforms announced last January were designed to weaken the state's grip on enterprises and all branches of production which contributed to serious food shortages.

However, the press has repeatedly singled out officials and party cadres who refused to adapt to the changes.

In May, Mr Carcani unveiled a package of political and social reforms, which included lifting the ban on religious practices and allowing people the right to travel. But clearly, having prised open the totalitarian lid, the leadership simultaneously raised people's political and economic expectations.

These, it seemed, could not be matched by Mr Alia's cautious road to liberalisation. The stampede by families and unemployed young people into foreign embassies highlight the frustration with the slow pace of change and the growing shortages. Last night thousands were still camped in the embassies, waiting for permission to leave.

Paradoxically, these circumstances may have given Mr Alia the chance to introduce changes in the party and state leadership.

Since coming to power in April 1985, he has been reluctant to start a policy of breaking the Hoxha influence. His power base was too weak. For decades the party has been dominated by the Hoxha clan, which belongs to the Tosk tribe, Moslems who live in the south. Since Enver Hoxha's death, Mrs Nexhjme Hoxha, his widow, continued to wield considerable influence, particularly in the interior ministry which until last weekend was led by Mr Simon Stefani.

Mr Alia, who is a Geg – a Moslem and Catholic tribe from the north – was forced to build his power base gradually.

The question now facing Mr Alia is whether he can convince Albanians that he is committed to political and economic liberalisation and, in doing so, maintain stability.

Swinging sixties shoebox races into the nineties

By John Griffiths in London

THE MINI COOPER, cult car of the swinging sixties, is being relaunched after a gap of nearly 20 years. This comes at a time when the popularity of the Mini, affectionately known as the "shoebox on wheels", has really taken off in Japan.

First seen on the streets of London in 1959, since when it has sold, in all its forms, 5.2m worldwide, the Mini is now on its way to becoming a cult car of the 1990s. Back in the 1960s it was almost considered a fashion item: everyone who was anyone in Britain was to be seen driving one.

Not even Rover is prepared to hazard a guess where demand for the Mini Cooper might go, 19 years after the last of its predecessors came off the production line. Back in the 1960s the asking price was £496 ($888). Today, the sporting Mini Cooper, the most famous Mini of them all, is relaunched at £6,995, ($12,521), including taxes, in the UK.

The reincarnated Cooper is generating more media and public interest than the launch of the new Metro, on which Rover has spent £150m, earlier this year. "I've never known anything like it; the response was fantastic once word started going around that we're going to build it again," said one Rover public relations executive of the group's decision to reintroduce the model.

The Mini Cooper won rallies and races throughout the 1960s, including a double win in the Monte Carlo Rally. Only last month, the driver who gave the Coopers their 'Monte' victories, Paddy Hopkirk, beat Jaguars, Alfa Romeos and other much more powerful, but less agile machinery, on the 3,000km Pirelli Classic Marathon.

Rover's decision to reintroduce the sporting model was triggered by the apparent rebirth of the Mini as a cult car – albeit in a more modest way than in the 1960s – among younger buyers and, to Rover's astonishment, Japanese ones most of all.

In the first half of this year sales of the Mini in Japan jumped by more than 40 per cent compared with a year ago to nearly 6,000. In the past few months, as high interest rates have crippled British new car sales, Japan has overtaken the UK as the Mini's biggest single market.

Yet the Mini has only been on sale for four years in Japan, since Rover set up its own wholly owned sales subsidiary, Rover Japan.

Rover's management believes the Mini struck a chord with young Japanese increasingly interested in both the west and a 1960s nostalgia boom. To cater to this nostalgia, domestic car makers like Nissan have investing substantial sums in designing and manufacturing niche cars with 1950s and 1960s styling.

Last year, Japanese buyers accounted for 9,600 of the total 39,000 Minis sold and Minis accounted for three-quarters of all Rover Group's Japanese sales.

Britons bought 13,000 of the diminutive four-seaters, the creation of Sir Alec Issigonis and the catalyst for the move by the world's motor industry towards front wheel drive.

However, it was only a decision four years ago, when Sir Graham Day became chairman of Rover cars group, that saved the vehicle from being axed.

That act of faith by Sir Graham, now chairman of Cadbury, the UK confectionery group, came at a time when the Mini looked to be at the end of the road. Record sales of over 300,000 in 1971 had fallen to 34,000 by 1985.

They bumped along at the same level for the year after the reprieve, but started to rise – along with a general boom in 1960s nostalgia – the following year. Today production is up 20 per cent on its 1986 level.

World sales this year are expected to go back over 40,000. Rover expects the Mini Cooper to account for about 25 per cent of total Mini sales.

A total of 99,281 Mini Coopers were made between 1961 and 1969, and 45,629 of the higher performance Cooper 'S' models between 1963 and 1971.

THE LEX COLUMN

Major manoeuvres in the dark

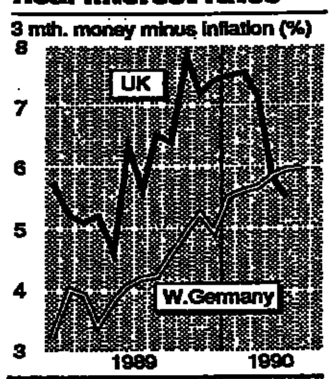
The UK Government's tactics on sterling are becoming genuinely puzzling. The May level of DM2.75 may have been uncomfortably low, in terms both of ERM entry and the need to restrain the domestic economy. But talking the currency up to DM2.85 or so is one thing. Actively seeking to push it through DM3.00, as the Chancellor was apparently doing with his remarks in Houston yesterday, looks a wholly different game.

One school of thought says the Government is simply trying to enter the ERM at as high a rate as possible. The higher the rate, the less chance of sterling coming against its ceiling; and therefore the less risk of an enforced cut in interest rates which might further stimulate consumer demand. There are several snags to this. First, it is not quite clear that consumer demand is out of control. Second, it would be a little curious for a government which showed so little concern about inflation in mid-term suddenly to get tough before an election.

And third, a high sterling policy carries formidable risks of its own. The equity and gilt markets are already showing second thoughts about the benefits of the ERM. Sterling is by now starting to look a little out of line. The more it is ramped, the greater the risk of a correction. And while the government may or may not be able to afford to lower interest rates, it certainly cannot afford to raise them in sterling's defence.

There is a more Machiavellian view: that sterling has been pushed up so that interest rates can be cut *before* ERM entry. Mr Major repeated yesterday that rates will not come down before inflation does; but August will be the peak month, after which the working through of mortgage rate rises will bring the headline figure down. Conversely, if mortgage cuts are to work through by election time next year, base rates must come down fairly soon. There is no real saying which interpretation is right; but the whole policy smacks less of deep strategy than of manoeuvring in a tight place.

Real interest rates



Globe

It is a nice irony that the demise of the UK's largest investment trust is being used as a marketing vehicle for the unit trust industry. Legal & General is offering 6p more than the Coal Board offer, including the dividend, for Globe shareholders to switch into its equity unit trust. Allowing for the stamp duty which it has agreed to pay, L&G is giving up more than half its initial management charge to attract new investors. The cynic might conclude both that there is plenty of fat in unit trust charges and that it is extremely hard to attract private investors at the moment.

But the offer is still an ingenious form of promotion, which may be extended to other bids involving other types of company. Private investors in Globe probably want to stay in the market; and investing in a unit trust for half the management fee is probably as cheap a method as any other. The Coal Board's indexed trust is the obvious alternative, but that requires 1 per cent of acceptances to be established. And those who stayed loyal to Globe through the bid are probably none too keen to back the predator's vehicle.

New issues

The odd rights issue may be tapping investors' wallets, but the first half of 1990 has seen a real dearth of new entrants to the stock market. The number of new issues has roughly halved since the first six months of last year, which in turn was substantially down on the first period of 1988. In part, this is because shaky stock markets are not conducive to flotations; and the FT All-Share Index fell between January 1 and June 30 for the first time since 1978. There have been only two non-privatisation offers for sale since the flotation of Hays was sabotaged by the mini-crash last autumn.

The large management buy-outs, which might have formed a useful source of flotations, have tended to opt for trade sales, as shown recently by Bricom and Reedpack. In the present climate, at any rate, corporate buyers are evidently willing to pay the kind of premium which stock markets cannot match.

But the real factor holding back new issues must be the UK economy. Most market entrants tend to be small and UK-based; precisely the kind of companies worst hit by high interest rates. And it is hard to come to the market without both a strong recent profits record and an optimistic forecast for the coming year. Few small companies can offer those at the moment.

Legal & General

With its sale of Victory, Legal & General is exiting the messy and cyclical reinsurance business more gracefully than the City would have expected. Rather like Prudential's reinsurance subsidiary, Mercantile & General, the Victory had looked like an Achilles' heel, with the potential one day to ruin L&G's record of 17 per cent dividend growth. So it would have been good news at any time that Victory was going; just as it would if the Pru sold M&G and concentrated on its proper business of long-term savings. The fact that the proceeds will cut L&G's net debt from £154m to about £32m and its gearing to below 10 per cent is very welcome icing; not least since L&G probably still needs to invest heavily to build UK life market share.

At 1.4 times net assets, the price the Dutch buyers are paying looks relatively full. One school of thought said reinsurance companies could never be sold for more than book value because of the industry's traumatic track record and lack of tied distribution channels. Investors' prevailing distaste is well illustrated by the way the shares of Munich Re, the bluest of blue-chips, lag behind those of Allianz.

As for Victory, the goodwill premium doubtless stems from its share in the relatively safe business of reinsuring UK unit-linked life companies. Valuing reinsurers is notoriously hard: everything depends on the adequacy of loss reserves. But L&G only paid £7.8m for Victory in two instalments, in 1973 and 1983, then put in £11m of fresh capital five years ago. With luck, it will not squander the money on more acquisitions in the low-margin, low-return US life insurance industry.

Spicer and Touche of UK likely to merge

By David Waller in London

SPICER & OPPENHEIM, the UK's ninth-largest accountancy firm, is believed to be on the verge of agreeing a merger with Touche Ross, currently the sixth largest British firm. The combined practice would be the sixth biggest in the UK, with annual fees of more than £260m ($465m).

Neither Touche nor Spicer would comment yesterday, although competitors said a link-up between the two would have considerable commercial and strategic logic. It is thought likely that staff and clients of both firms will be told about the proposals later in the week.

Touche and Spicer both have problems in the UK market, which would make it sensible for them to join forces. Spicer's problems stem from the extent of its exposure to the financial services industry in the City of London, while Touche in the UK is weak because of its failure to conclude an international merger with Deloitte, Haskins & Sells last year.

The deal was frustrated after Deloitte's UK practice opted out of the merger and decided to link up with Coopers & Lybrand instead.

During the early 1980s, Spicer was one of the most successful of the so-called medium-sized firms, mainly because of its strong position in the City of London. But after Big Bang in 1986, many clients defected to the then Big Eight, while clients that were left suffered in the aftermath of the October 1987 crash.

Spicer's fees last year grew by only 11 per cent, to £92.3m, the smallest increase of any of the top 20 UK accountancy firms.

It is thought that Touche's UK practice is expanding rapidly because work is being referred from the firm's international organisation. A merger with a medium-sized firm would thus give Touche the manpower to deal with the extra work. Spicer has special attractions in that it still audits a number of large financial institutions, including Morgan Grenfell and Kleinwort Benson.

Spicer was also auditor to Barlow Clowes, the collapsed investment firm, and to Atlantic Computers, the subsidiary of British & Commonwealth which is being investigated by Department of Trade and Industry inspectors.

KGB chief hits back at attack by disgraced former agent

By Leyla Boulton in Moscow

THE HEAD of the KGB, Mr Vladimir Kryuchkov, yesterday criticised a former agent for publicly attacking the Soviet Union's mighty security agency.

In his first public statement on Mr Oleg Kalugin, the disgraced former KGB general who talked openly about the organisation, he told the Communist Party congress that Mr Kalugin had acted out of revenge for his early retirement at the age of 55.

Describing him as an incompetent who had tried to blackmail the KGB, he said: "We sometimes make personnel mistakes which cost us dearly."

Mr Kalugin, a former head of foreign counter-intelligence, was stripped of his rank of major-general and of all his medals last month after saying that perestroika reforms in the KGB were a sham.

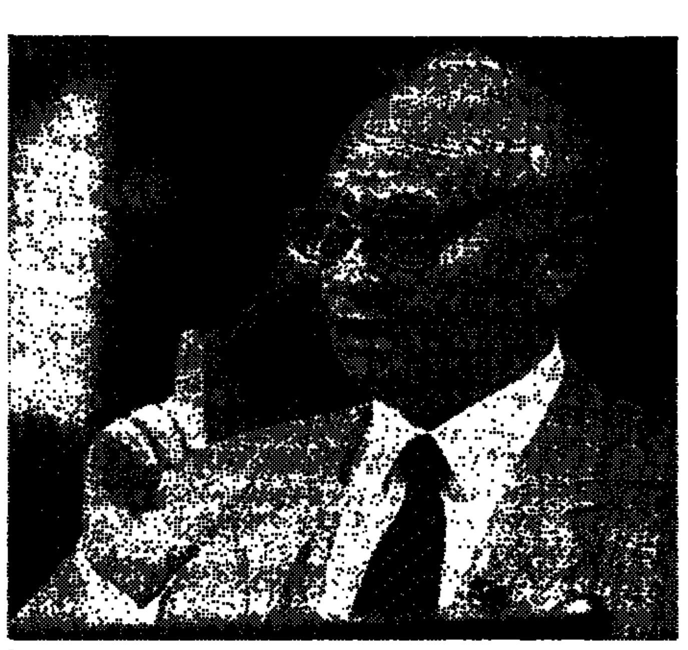
Hitting at the heart of public unease about close links between the KGB and the Communist Party, Mr Kalugin has also claimed that his former employers take orders only from the party leadership.

Several leading radicals, including Mr Boris Yeltsin, and the late Dr Andrei Sakharov, have waged a persistent campaign to bring the KGB under democratic control and to separate it from the party.

Mr Kalugin alleged, for example, that the KGB had recently tried to discredit Mr Yeltsin, who is now president of the Russian Federation, and to embarrass Mr Nikolai Ryzhkov, the Soviet Prime Minister.

Mr Kryuchkov counter-attacked by saying that the KGB was already under the control of "state authorities."

Saying that the agency would be prepared to work with any other party which came to power, he said there was no obligation for a KGB chief to belong to the Communist party's ruling politburo.



Vladimir Kryuchkov defends the KGB at yesterday's party congress against attacks made by a former agent

He also rejected some delegates' suggestions that sanctions against Mr Kalugin were excessive. He said that in Britain similar revelations by a former agent would have been banned from the media, and in the US they would have been treated as a criminal offence.

"He was fully aware that forms and methods and areas of KGB activity are not to be revealed," Mr Kryuchkov said in a 25-minute address prompted by numerous questions from delegates.

Mr Kalugin, the highest ranking officer to denounce the KGB, has become something of a *cause célèbre* over the past month for a series of interviews in which he has criticised the feared institution.

A handful of former colleagues has sprung to his defence and a group of deputies has called for a parliamentary investigation into Mr Kalugin's allegations.

In a letter published earlier this month by the Komsomolskaya Pravda newspaper, deputies said parliament should investigate the KGB's budget, operations and methods and check its spying on public groups.

The Supreme Soviet (parliament) has prepared a draft law regulating the powers of the KGB, which has yet to be put to a vote.

● The Soviet Union took its first concrete step toward negotiating with Lithuania yesterday by naming a team of senior representatives for talks on the republic's bid for independence, agencies report from Moscow.

President Gorbachev appointed Mr Ryzhkov to head the 22-member Soviet team, according to the official Tass news agency.

Iraq 'tried to set up arms bank'

By Alan Friedman in New York

IRAQI GOVERNMENT officials and US-based executives of Italy's Banca Nazionale del Lavoro (BNL) tried to use money borrowed by Iraq from BNL's Atlanta branch to form a UK or US-based trade bank. The bank would directly finance the shipment of militarily useful technology and material to Baghdad, according to Mr Paul von Wedel, a former BNL Atlanta executive who is under investigation by a US grand jury.

The funds, according to the former BNL executive, would have been part of the $3bn of improper loans made to Iraq by the BNL Atlanta branch, but the plan failed.

Mr von Wedel, in an interview yesterday with the Financial Times, said that he had documented the BNL scandal in a 170 page as-yet unpublished manuscript. In particular, Mr von Wedel said that:

● he had broken "certain US laws" during his work at the Atlanta branch of BNL and is co-operating with the Atlanta Grand Jury, which he expects will conclude its work in the next month or so.

"I signed the forms that went to the Federal Reserve and contained inaccurate information," he said.

● the plan to form an Iraqi-owned bank was discussed with Mr Hussein Kamal, the Minister of Industry and Military Production, who is also the son-in-law of Mr Saddam Hussein, the Iraqi leader.

● the US Government was aware of a number of transactions from BNL Atlanta to Iraq.

● he acted under the belief that senior executives of BNL in Rome were aware of the Atlanta-Baghdad transactions.

In Washington, Mr Yuseef Alani, commercial attaché at the Iraqi embassy, denied Mr von Wedel's statements and said that the Iraqi leader had no involvement in any BNL affairs. "Mr Hussein does not discuss such things," he said.

Western officials have said in private that Mr Hussein has played a major role in supervising the development of a number of Iraqi missile and chemical weapons related projects that may have benefited from BNL money.

Mr Sadik Taha, a director general of the central bank of Iraq who has been investigated for direct involvement in the BNL scandal, died in London on June 6. Mr Taha was believed to have worked with officials of the Iraqi industry ministry on the BNL transactions.

In Rome, BNL declined to comment on Mr von Wedel's charges. The bank has repeatedly denied in the past that any of its top executives were involved in the Atlanta scandal.

Reduction in UK interest rate ruled out

Continued from Page 1

exchange rate was extremely desirable as it would limit companies' ability to concede excessive wage demands. The Treasury agreed that sterling was keeping domestic monetary policy tight and led to cheaper input prices.

● Anthony Robinson in Basle writes: Mr Major's proposals for an evolutionary path to European economic and monetary union through the creation of a "hard Ecu" will be "studied very carefully" by European central bankers meeting today at the Bank for International Settlements, Mr Karl Otto Pöhl, president of the German Bundesbank said yesterday.

Gorbachev wins battle to reform party

Continued from Page 1

leave the politburo, said that invented statements were being distributed to delegates, and persuaded them to set up a committee of inquiry.

"I have been a member of the party for 47 years," he said in an emotional self-defence. "I want the organisers of this campaign to be found." Then in a grim reminder of the sort of persecution which existed before perestroika, he added: "You can shorten my life, but you can never silence me."

Mr Gorbachev himself, however, was confident enough to override all attacks from the floor.

A delegate from Magadan, the remote Siberian peninsula which produces Soviet gold, and housed Stalin's labour camps, demanded that Mr Gorbachev be removed from the chairmanship.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	27	81
Algiers	-	-	-
Amsterdam	C	16	61
Athens	F	28	84
Bahrain	S	37	99
Bangkok	F	32	91
Barcelona	S	25	77
Beirut	-	-	-
Belfast	C	13	57
Belgrade	F	23	77
Berlin	F	22	72
Biarritz	F	22	72
Bombay	R	25	77
Bordeaux	F	26	79
Boulogne	C	17	63
Brussels	F	18	66
Budapest	C	22	72
Buenos Aires	R	16	61
Cairo	S	35	95
Cape Town	-	-	-
Caracas	C	28	84
Casablanca	S	26	79
Chicago	C	25	77
Cologne	F	19	66
Copenhagen	F	17	63
Corfu	S	31	88
Dallas	S	23	73
Dublin	F	15	59
Dubrovnik	S	26	79
Edinburgh	F	16	61
Faro	S	30	86
Florence	S	32	90
Frankfurt	C	17	63
Geneva	S	27	81
Gibraltar	S	26	79
Glasgow	R	13	57
Helsinki	R	16	61
Hong Kong	-	-	-
Innsbruck	S	23	73
Inverness	C	13	57
Islamabad	F	35	95
Istanbul	F	22	73
Jakarta	F	32	91
Jersey	C	16	61
Johannesburg	S	17	64
Lima	C	17	64
Lisbon	S	32	90
London	C	17	63
Los Angeles	-	-	-
Luxembourg	C	17	63
Madeira	S	25	77
Madrid	S	33	93
Majorca	S	29	84
Malaga	S	29	84
Malta	S	29	84
Manchester	C	15	59
Manila	C	32	90
Melbourne	F	12	55
Mexico City	C	22	72
Miami	S	27	82
Milan	S	27	81
Montreal	C	21	70
Moscow	S	23	75
Munich	S	25	77
Nairobi	F	26	79
Naples	S	31	88
Nassau	-	-	-
New Delhi	C	29	84
New York	C	25	77
Nice	S	25	77
Nicosia	S	27	82
Oporto	S	25	77
Oslo	R	16	61
Paris	F	17	64
Peking	S	32	90
Prague	F	25	77
Reykjavik	S	11	52
Rhodes	S	29	84
Rio de Janeiro	C	27	82
Rome	S	27	82
Salzburg	S	25	77
San Francisco	C	13	57
Seoul	S	32	90
Singapore	F	30	86
Stockholm	F	17	63
Strasbourg	C	22	77
Sydney	F	15	59
Taipei	C	32	90
Tangier	S	32	90
Tel Aviv	S	30	86
Tenerife	S	25	77
Tokyo	C	23	73
Toronto	F	21	70
Tunis	S	30	86
Valencia	S	30	86
Venice	S	25	77
Vienna	S	25	77
Warsaw	F	23	73
Washington	S	26	79
Zurich	F	25	77

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

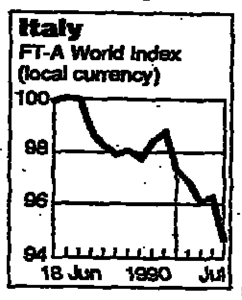
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday July 10 1990

INSIDE

Five US banks may co-lead UAL deal

Five large US banks have emerged as probable co-leaders of a $4.4bn employee buy-out at UAL, which owns United Airlines. Although the five banks — Citicorp, Chase Manhattan, Bankers Trust, Manufacturers Hanover and Chemical Banking — are still negotiating with the union-led buy-out team and have not made any firm commitment, the unions believe they will agree to act as co-lead managers in seeking to raise funds for the deal. An earlier, management-led attempt to buy out the airline collapsed last autumn, prompting a general stock market crash. Page 25

Fiat dampens Italian bourse



Cautious comments from Giovanni Agnelli, the chairman of Fiat, about the carmaker's 1990 earnings, contributed to a 4 per cent fall on the Italian bourse last week in local currency terms. Meanwhile, the Australian stock market received a welcome boost from domestic institutions as they reassessed their portfolios for the start of the new fiscal year on July 1. Back page

Thoroughly modern Bundesbank

The Bundesbank yesterday announced it was taking the first tentative steps to overhaul issue procedures for West German government bonds. It is to abolish the procedure of control numbers, lower commissions and introduce a partial auction system. Katharine Campbell in Frankfurt reports on changes which will help bring outmoded local practices into line with international standards. Page 28

Good luck appears to wane

Broken Hill Proprietary was once known as a lucky company in a lucky country. But now the big Australian group has its work cut out as a recession, induced by high interest rates, looms in its domestic market. Another large Australian company, coal miner QCT Resources, yesterday agreed to buy the South Blackwater coal operation, in Queensland's Bowen Basin region, for about A$147m (US$117.3m) from Perth-based Pennant Holdings, the troubled construction group. Page 26

Ellis & Everard advances 31%

UK chemicals distributor Ellis & Everard yesterday pleased its followers with a 31 per cent rise in annual pre-tax profits. In the UK, solid growth from Ellis & Everard Chemicals, the commodity distribution business, was offset by pressure on some of the group's small specialist businesses such as its antifreeze company, which suffered from the warm winter. Page 30

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Porsche	1280	+	20
Falls			
Altana	562	−	7.8
Bayer Hypo	406	−	7
Didier-Werke	226	−	15
Lufthsit	795	−	14
NEW YORK ($)			
Rises			
IBM	119	+	1
Nike	87¼	+	7¼
Wal-Mart	32¾	+	1½
Falls			
Dekalb Genetics	42½	−	1
MCI Comms	40⅞	−	¾
Philip Morris	46¾	−	½
PARIS (FFr)			
Rises			
Casino	133.1	+	7.6
Falls			
Afrique Occid	526	−	24
Colimeg	352	−	8
Hachette	302	−	13
Peugot	782	−	32
Suez	420	−	4
TOKYO (Yen)			
Rises			
Lapine	1240	+	120
Shinkawa	7300	+	800
Toli Chemical	1250	+	150
Unidenzi	1970	+	210
Union Optical	2100	+	200
Unozawa-Gumi	1300	+	120
LONDON (Pence)			
Rises			
AtkinsBros	157	+	17
Berisford Intl	68	+	4
Glaxo	830	+	17
Kingsgrange	29	+	7
Menzies (J)	350	+	11
Priest Marians	203	+	8
Reliance Secs	166	+	7
Thorpac	36	+	5
Wellcome	596	+	5
Falls			
Barratt Dev	167	−	12
Burmah	640	−	8
Burton	96	−	8
Cadbury	361	−	6
Dixons	133	−	7
Empire Strs	85	−	10
Fisons	357½	−	6½
RMC	673	−	5
Scot Heritable	86	−	19
Steetley	422	−	11
Taf Hse	303	−	7

Nat-Ned unit to buy UK reinsurer

By Richard Lapper in London

Netherlands Reinsurance Group (NRG), a 51 per cent subsidiary of Nationale Nederlanden, the Dutch insurance group, is to pay £122m ($220m) for Victory Reinsurance, part of Legal and General of the UK.

L&G, the UK's second-biggest life insurer, is withdrawing from reinsurance to concentrate on its international life and pensions, UK general insurance, and investment businesses.

The deal increases NRG's size by more than half, making it the world's 11th biggest reinsurer.

NRG had net premium income of Fl 970m ($521m) in the year ending June 30 1989, compared to 1989 net premium income of £173.7m for Victory.

Mr Piet Zandhuis, NRG's vice chairman, said that with reinsurance increasingly dominated by bigger and better capitalised companies, NRG had aimed to expand. However, it had been unwilling to win business by reducing premium rates in present soft market conditions. Acquisition was therefore the best way of increasing premium income and the company's size, he said.

Victory's business meshed neatly with that of NRG, added Mr Zandhuis. Victory's strength in Australia, Canada and the UK complemented NRG's presence in the USA and continental Europe. And Victory's position in the London marine reinsurance market – 40 per cent of 1989 premium income was generated by the company's marine and aviation department – complemented NRG's strengths in property and life business.

Victory's expertise in the life area and in particular its development of new products such as dread disease cover had also been attractive, said Mr Zandhuis.

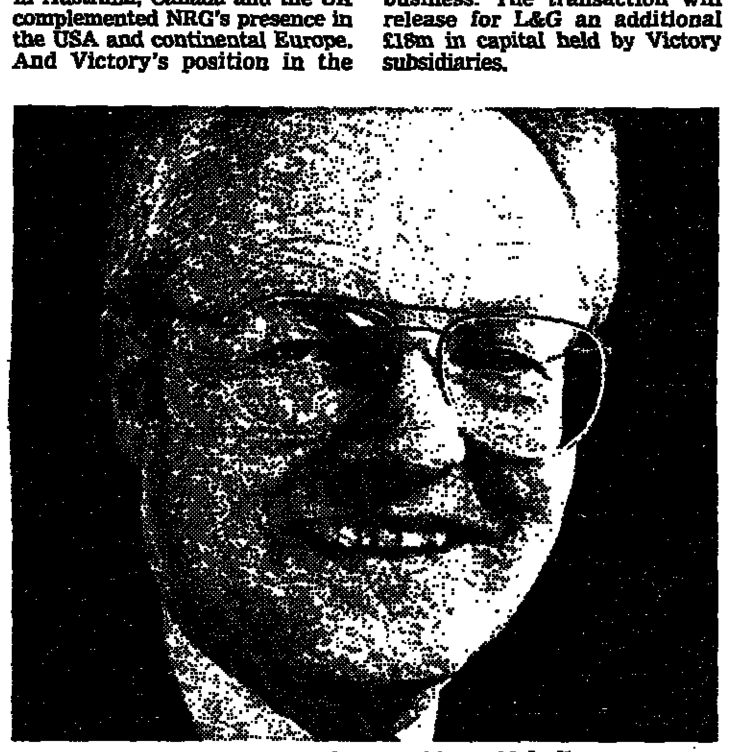
For L&G, Victory has yielded an annual return on capital of around 14-15 per cent after tax since its acquisition in 1973.

In an increasingly competitive and volatile reinsurance market, however, low rates and a series of heavy claims have threatened the profits of many small and medium-sized reinsurers.

Without more capital, said Mr Joe Palmer, L&G's chief executive, "Victory was condemned to a steady decline. It needed to be larger, but it was inconsistent with our overall strategic priorities to allocate more capital."

L&G has given NRG no indemnities as to the adequacy of Victory's reinsurance reserves and so carries no on-going exposure to Victory's business.

Although L&G is to retain control of Victory USA, the US subsidiary is to cease writing new business. The transaction will release for L&G an additional £18m in capital held by Victory subsidiaries.


Joe Palmer: Victory 'needed to be larger' to avoid decline

Adidas's struggle to get back in the game

Andrew Fisher on the group's sale to Bernard Tapie

After decades as the world's biggest supplier of sports shoes, clothing, and equipment, Adidas of West Germany hopes to find a second wind. Assailed by both established competitors such as Nike and newer, fashion-conscious ones like Reebok and LA Gear, the group announced at the weekend that it is to be bought by Mr Bernard Tapie, the French entrepreneur.

Adidas – founded in 1948 by Mr Adi Dassler – has been struggling to keep pace with the harsh and fast-changing conditions in the sports equipment market. Hit particularly hard by troubles in the US, where it has run into marketing, delivery, and management difficulties, the group made a loss last year. It has been putting these problems right, but at considerable cost.

The price for Adidas's sale has not been disclosed and it is still unclear how easy it will be for Mr Tapie, 47, the Socialist MP for Marseilles, to raise the cash he needs. It is believed his Bernard Tapie Finance (BTF) group already had FFr300m ($53.7m) of debts before the deal. This is not in itself excessive, but could prove a drag on his ability to add any value to Adidas.

To raise money, Mr Tapie says the most important of BTF's activities will be sold. Observers believe his Taraillon weighing machines subsidiary could be worth FFr700m, though it will be harder to find a buyer for the loss-making La Vie Claire health food offshoot. Last year, BTF reported a 54 per cent decline in net profits to FFr27m.

BTF is also believed to be seeking cash for the deal from investors including the Crédit Agricole and Societe de Banque Occidentale banks and the GAN and AGF insurance groups.

In the US, Adidas has been helped over its problems this year by Mr Peter Ueberroth, the businessman who organised the Los Angeles Olympic Games. Adidas is now breaking even in the US and hopes to end the year with a profit. Mr Tapie stressed that Mr Ueberroth, who is on the supervisory board of the main group and has an option on a minority of its US business, would continue to feature in Adidas's development.

The sale of Adidas has been on the cards for some time. Its ownership is in the hands of five branches of the Dassler family. The 80 per cent of the shares being sold to Mr Tapie's company come from the founder's daughters, Inge, Karin, Brigitte, and Sigrid; their brother Horst ran the company until his death in 1987 at the early age of 51. The other 20 per cent is held by Horst Dassler's children, Adolphe and Suzanne, who have granted an option to Metro, the Swiss-German retail concern. Mr Tapie will negotiate with them over this stake.

With total turnover of DM4.6bn ($2.7bn) last year, Adidas is near one of the goals set by Mr René Jäggi, the Swiss judo expert and Japanese speaker who came in as chief executive after the death of Mr Horst Dassler. Mr Jaggi has expressed his aims neatly in fives: turnover of DM5bn; US turnover of $500m; Japanese sales of Y50bn; a pre-tax yield of 5 per cent (or profits of DM250m); and a fivefold yearly stock turnover.

He believes these goals could be achieved by Adidas on its own, but that progress would be faster with a strong partner. A few years ago, it seemed Adidas had largely escaped the problems of Puma, founded by Adi's brother Rudolf and now controlled by Sweden's Aritmos. Both are based in the Bavarian town of Herzogenaurach.

Their fate in falling into foreign hands shows the difficulties of combining diffuse family ownership with survival in a strenuous, frenetic industry like sports gear. Adidas has declined to confirm reports that it lost DM120m in 1989. This year, however, it expects a profit.

As Puma and Adidas have been pounded by rivals, they have brought in bright new designs, cut costs, and streamlined management, marketing, and logistics. Like Puma, it has also cut its high dependence on in-house production to rely more on cheaper, mainly Asian, suppliers.

Yet to maintain a technological edge, Adidas has to keep some production under its control. The Etrusco boots worn by the West German football team in Sunday's World Cup Final were made in the company's La Valck plant near Strasbourg in France. In Europe and elsewhere, the company has shed labour to trim costs. There is still some way to go. It employs some 9,500 people, 5,000 less than three years ago, but has said it needs only 7,000.

Since Mr Jaggi and his management have been promised a stake in the company when Mr Tapie takes over, the incentive to slim down further will be strong.

Pressure increases on leading players

By Alice Rawsthorn in London

THE NEWS that Mr Bernard Tapie, the controversial French financier, has pounced on Adidas adds to a series of similar deals to have swept across the international sportswear industry this year.

Only last month, Pentland, the UK consumer products group, announced plans to sell its 32 per cent holding in Reebok, the US sports shoe company.

A few months ago, Puma, the West German company, changed hands for the second time in a year when Aritmos, the Swedish sporting goods company, bought a substantial stake from Cosa Liebermann, the Hong Kong trading house which took control of Puma last summer.

The catalyst for all this corporate activity is the unstable state of the sportswear industry. The sportswear market is extraordinarily buoyant, but it is also more complex and more competitive than ever before.

Sales of sportswear soared during the 1980s. The global market for sports shoes alone doubled from $4.5bn in 1985 to $9bn in 1989. The fitness craze boosted sales of serious sportswear. The current cult for sports shoes and sports clothing has increased sales of sportswear to young consumers.

But the market is also much more volatile than in the past. The new generation of US sportswear companies – Nike, Reebok and LA Gear – won sales at the expense of Adidas and Puma in the 1980s by wooing consumers with sharper styling, innovative products and expensive advertising campaigns. There is now tremendous pressure on them to produce yet more new products and new styles. Nike gained ground against Reebok in the late 1980s by its aggressive advertising. Reebok is now battling back thanks to the success of The Pump, its new inflatable basketball boot.

These companies are now locked in a vicious cycle of increasingly expensive marketing and research budgets.

So far the really fierce competition has been restricted to the US. But Ms Heidi Steinberg, an analyst at Salomon Brothers in New York, suspects that as the US market slows down, "Nike and Reebok will pay much more attention to Europe and Japan."

Mr Tapie may well have bought his *entrée* into the intensely competitive sportswear industry only to discover that the real competition is only just beginning.

Buoyant Nike, Page 25

ABB sets $1.2bn sales target for East German enterprises

By William Dullforce in Geneva

ASEA BROWN BOVERI, Europe's biggest electrical engineering group, calculates that it can generate annual sales of about $1.2bn in East Germany by the middle of the 1990s.

The figure is additional to the annual sales of $1.5bn that Mr Percy Barnevik, the chief executive, last month estimated his group would be able to create from new operations in other Eastern European countries and the Soviet Union. Combined, these activities would amount to almost 11 per cent of ABB's worldwide turnover. ABB emphasized yesterday that sales estimates were approximate, but feasible in the medium term.

ABB has its corporate headquarters in Zurich, Switzerland, but its biggest national subsidiary is based in Mannheim, West Germany. To achieve its target in East Germany, ABB plans to set up joint ventures with some 20 local enterprises, which have already been selected. They have workforces of some 11,000.

ABB will focus on producing power generation and transmission equipment in East Germany, but operations would include factory automation, environmental control and transport systems.

A new power plant manufacturing concern with a workforce of 4,500 is being set up in Berlin by ABB Kraftwerke of West Germany and Bergmann-Borsig, the largest East German manufacturer, and a long-term deal, providing employment for 2,700, has been struck with VEB Automatisierungsanlagen in Cottbus to co-operate on power plant instrumentation and industrial process controls.

The size of the total investment in East Germany depends on the conversion of the associated companies' balance sheets into D-Marks, on the shares offered for acquisition and on how much revamping each company needs.

However, Mr Eberhard von Koerber, the ABB executive vice-president responsible for Germany and Eastern Europe, said ABB was ready to assume responsibility for the 20-odd enterprises and make the investment needed.

ABB would first aim at increasing productivity and raising the technological level. Training for managers and apprentices has already been set up.

Menzies writes off £15.2m of US restructuring costs

By Andrew Hill in London

JOHN MENZIES, the Edinburgh-based retail and wholesale group, has written off £15.2m ($26.8m) in its 1989-90 accounts for the restructuring of its Early Learning Centres in the US, and may sell the specialist children's stores outright.

Menzies reported profits of £29.1m before tax in the year to April 28, against a restated £26.1m in the equivalent period. The group's last audited accounts, for the 15-month period to the same date, showed pre-tax profits of £30.1m.

In March, Menzies said it was seeking a partner for its 91-store ELC chain in the US, which has not proved as successful as the UK chain. The most likely option at that stage seemed to be a joint venture with a US retailer or investor group. However, Mr Ranald Noel-Paton, Menzies' managing director, said yesterday: "There is no possibility that this business will be kept. The only question is whether it will be a complete sale or whether a small stake will be retained."

ELC had experienced difficulty encouraging brand recognition and loyalty among US consumers during the severe retailing downturn. In addition, some of the US stores were poorly located.

Yesterday's £15.2m extraordinary charge covered ELC's trading losses of about £1m for the last quarter of 1989-90, estimated future losses from restructuring and the cost of closing unprofitable stores and withdrawing from contracts with US shopping malls. Group turnover rose from £801m to £902m, compared with £1bn in the 15-month period. UK trading profits rose from £32.4m to £34.3m, but the US operations' losses mounted to nearly £4m (£3.2m), including the last three months' trading.

Earnings per share decreased from 33.1p in the 15 months to April 1989, to 31.7p in 1989-90. A final dividend of 5.75p was recommended, making 9p for the year, compared with 8p in the 15-month period.

Mr Noel-Paton said he had been very pleased with the performance of the newspaper and periodical wholesale division in a difficult and competitive climate.

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Balmoral buys Queens Moat hotels for £45m

By Andrew Hill in London

FIVE MONTHS after its attempted management coup failed, Balmoral International, a private Edinburgh company, has achieved its aim of controlling some of Norfolk Capital Group's upmarket hotels.

Balmoral has bought two former Norfolk Capital properties – the 200-room North British Hotel in Edinburgh, for £35m, and the 137-room Old Swan Hotel, Harrogate, for £10m – from Queens Moat Houses, which acquired Norfolk Capital after a hostile bid for the hotels group earlier this year.

Both hotels overlapped with properties belonging to Queens Moat, which owned two five-star hotels in Edinburgh – the North British and the Caledonian Hotel – following the bid.

The North British is currently being refurbished and should be finished in six months, when the deal will be finalised. However, Mr John Bairstow, Queens Moat's chairman and managing director, said he did not fear introducing an ambitious rival into the Edinburgh market. "Only good can come of the competition that this sale will generate," he said. Balmoral will take control of The Old Swan at the end of this month.

Mr Peter Tyrie, Balmoral's managing director, said: "We are delighted to make that acquisition: had we won Norfolk Capital we would certainly have kept both those hotels."

Balmoral is aiming to build a portfolio of individual upmarket hotels.

Mr Bairstow said he was continuing to seek buyers for the St James's clubs, which were also acquired in the Norfolk Capital bid.

He said Queens Moat was coming round to the possibility that it might have to sell the three clubs – freeholds in London and Los Angeles, and a leasehold in Paris – separately rather than as a block.

Queens Moat will use the proceeds of the hotel sales to continue its programme of building, refurbishing and buying hotels in the UK.

Sabena chief seriously ill after brain haemorrhage

MR CARLOS Van Rafelghem, president of the Belgian airline Sabena, is seriously ill after suffering a brain haemorrhage, Reuter reports.

Mr Van Rafelghem, 64, suffered the attack last Wednesday and is in intensive care at a hospital in Leuven, just outside Brussels.

Mr Van Rafelghem, who is due to retire when he turns 65 in December, masterminded state-controlled Sabena's search for a partner to ensure its survival in an increasingly competitive airline industry.

Last year it agreed a joint venture with British Airways and KLM Royal Dutch Airlines to develop Brussels' crumbling airport into a major "hub" serving an extensive European network.

The agreement has since run into problems with the European Commission, which last month ruled the deal could be anti-competitive. It is looking at possible modifications.

● KLM, meanwhile, says it has appointed a six-man team to investigate ways in which the company could cut costs to remain competitive.

KLM said the team would be assisted by external advisers from the McKinsey management consultancy firm and would report to Mr Jan de Soet, KLM president, within a few months.

"The team's brief is to come up with ways of structurally reducing costs, but we will not economise on the quality of service we provide to our customers," the airline said.

In May, KLM reported that its operating profit for the financial year to the end of March 1990 fell to Fl 310m ($166.6m) from Fl 390m in the previous year.

Laus face hostile bid by Taiwan investors

By John Elliott in Hong Kong

EVERGO International Holdings, the Hong Kong investment, property and manufacturing group controlled by the brothers Mr Thomas and Mr Joseph Lau, last night faced the prospect of a hostile bid from Taiwanese investors led by Mr Hwang Chou Shiuan, who is based in Hong Kong.

Mr Hwang said yesterday at the Hong Kong annual meeting of his small Ming Ren company that he was planning a "king-size bid" to take over the Laus, who have built up a controversial reputation as corporate raiders.

The Laus control the group with about 50 per cent of the Evergo equity, but the position is complicated by a large quantity of warrants. At a price per share of HK$4.05 when trading was suspended yesterday, Evergo is valued at HK$2.2bn (US$282.9m).

A bid at around HK$5 a share – worth HK$2.7bn – was being rumoured, but it is believed to have been delayed by Hong Kong's takeover committee on the grounds that any offer must also cover as many as three of Evergo's subsidiaries because they hold most of the group's assets. These subsidiaries are Chinese Estates, China Entertainment and Land Investment, and Paul Y Holdings, shares in all of which were also suspended.

Including them would dramatically increase the cost of an offer, possibly to as much as HK$6bn. Mr Hwang is believed to be discussing possible loans with Hongkong and Shanghai Banking Corporation, which helped him finance a large-scale residential development in the colony.

He is thought to be planning to use Chyan Fwu, his private Taiwan company, for the takeover. But bankers suspect that he is representing bigger interests at a time when cash-rich Taiwanese businessmen are investing rapidly abroad.

● Asia Commercial Holdings, a Hong Kong watchmaker, lifted net profit 19 per cent to HK$82m in its March year, although sales fell 3 per cent to HK$1.11bn, AP-DJ adds.

Euro Synergies fund closes first tranche

EURO SYNERGIES, the investment fund launched by France's Crédit National in partnership with Hambros of the UK, Bayerische Vereinsbank of West Germany, and Crediop of Italy, has reached its first closing at 100m Ecu ($80m) after attracting 15 new investors, writes George Graham in Paris.

The sum is well short of the 300m to 500m Ecu target that Euro Synergies set itself when the fund was launched early last year. However Mr Pascal Viénot, managing director, says that, given the sharp deterioration in market conditions, the result is extremely satisfactory.

Mr Viénot says Euro Synergies' investment strategy of helping companies which are already important players in their domestic markets to become European leaders through acquisitions has attracted substantial interest from institutional investors.

Noting that other "Euro" funds have had to be abandoned because of the difficulty of raising money, he says that the fund has so far concentrated its marketing on French and continental European investors, and will be able to attract more investors once it has a track record.

Since the first closing, Euro Synergies has attracted further commitments from the Wallenberg group in Sweden, as well as from an Italian industrial group, taking it up to 120m Ecus.

"We plan to complete a second tranche with American and Asian investors by the end of the year, taking us up to 200m Ecu," says Mr Paul Mentré, chairman of Crédit National and one of Euro Synergies' principal sponsors.

The fund, whose full-time managers include former Hambros and Bayerische executives, has already made its first investment: a 10m Ecu stake in BDDP, the number four French advertising agency which has a FFr1bn ($181m) acquisition programme. The investment, which gives Euro Synergies around 9 per cent of the company, is smaller than it will usually consider, but is viewed as an important "starter for 10."

Four other investment projects are currently being studied, in businesses which include software and the Benelux transport sector.

Investments will normally be between 10m and 50m Ecus, involving 5 to 30 per cent equity stakes. Euro Synergies insists on a minimum 30 per cent return on investment. Investments will usually be realised within four or five years and will then be paid back to fund investors, not reinvested in the fund.

Mr Viénot points out that under 3 per cent of European companies have sales of more than 150m Ecus, and that only 3 per cent are listed on stock exchanges. The increasing flow of investment capital into Europe therefore needs outlets in medium-sized companies with strategic expansion prospects.

"Investors want projects based on industrial added value, not on financial engineering," he says.

Lyonnaise des Eaux and Dumez trading halted

By William Dawkins in Paris

THE PARIS stock exchange yesterday suspended trading in the shares of Dumez, the construction group, and Lyonnaise des Eaux, the diversified water services, cleaning and energy utility.

Stockbrokers speculated that the pair is planning some form of agreed share exchange to help exploit common business interests or to bolster defences against unwanted takeover bids for either partner. The companies will announce today why they asked for the suspension, which came after unusually heavy dealing in Dumez shares.

Some 1.25 per cent of Dumez' equity capital changed hands when its shares were last traded on Friday, lifting the price 4.1 per cent to FFr641, at which level Dumez is capitalised at just over FFr7bn ($1.3bn).

Lyonnaise des Eaux is valued at just over FFr20bn at the FFr702 suspension price.

The suspension comes a month after the water company raised FFr2.5bn through a convertible bonds issue to fund growth opportunities. Lyonnaise des Eaux has little obvious common business interest with Dumez, since the water company has no construction companies, said analysts.

However, Dumez could benefit from the close contacts that Lyonnaise des Eaux keeps with local authorities in France. Mr Pierre Coiffet, analyst with the Dynabourse securities firm, believes Dumez is under-represented in local authority contracting. "Lyonnaise des Eaux's relations with town halls could do Dumez some good," he said.

Such a link-up would echo the merger two years ago of the construction and public works activities of Compagnie Générale des Eaux, another diversified water group, with those of Saint-Gobain the glass and pipes maker.

Dumez, which reported a consolidated net profit of FFr566m on sales of FFr26.2bn last year, has recently expanded its activities in distribution of building materials, which account for half of its turnover.

In January, it took a large minority stake in Groupelec, the French distributor, to add to existing offshoot, United Westburne Industries, North America's largest builders' merchant.

Last month it took a two-thirds majority stake in CGE Distribution from Compagnie Générale d'Electricité.

REMY et Associes, the independent French wine and spirits group, is buying its Irish distributor, William & P. Thomson Distributors, for an undisclosed sum, Reuter reports. Thomson has been distributing Remy cognacs in Ireland, and will now distribute Remy's champagne, brandy, rum, and Bordeaux, Burgundy and white German wines.

Valeo plans nine new plants

By William Dawkins in Paris

VALEO, the French motor parts maker, yesterday announced a FFr3.5bn ($630.6m) investment in nine new factories and research centres for this year and next, injecting a fresh optimism into the uncertainty overhanging the European automotive industry.

The plan aims to reinforce Valeo's international growth and to sharpen its response to the trend among car producers to shift development of key components to parts manufacturers, said Mr Noel Goutard, group chairman.

"There is a certain pessimism on car volume sales, but there is also justification for optimism on the increasing amount of value added technology that cars will consume."

Valeo recently announced that it is to close 15 plants and shed 3,000 jobs this year, the first step in rationalising its string of recent acquisitions. Yesterday's scheme will also be accompanied by some closures, with a net loss of 300 jobs, as production is shifted to a new plant capable of the tight delivery schedules being increasingly demanded by car makers as a way of keeping their own inventories down.

Valeo's turnover should rise by 12.8 per cent from FFr19.5bn to FFr22bn this year, Mr Goutard forecast. The investments would be funded internally, without fresh borrowings, he said. The growth in Valeo's debts needed to pay for the group's acquisitions last year, plus the outlook for the car industry generally, has contributed to a steep fall in Valeo's share price from around FFr850 at the turn of the year to FFr531 yesterday.

In France, the group plans to: close two electronic components plants and restart production in a new one due to open at the end of next year; to open a brake linings factory near an existing plant in Normandy, which will move some production to the new unit; and to open a new line for lighting controls.

Three West German plants making security equipment will be merged, while Valeo is planning to do the same thing for the production of Delanair, a British maker of air conditioners bought by the French company last year.

All of Delanair's UK output will be based at a new plant in Wales, due to open next year.

Peugeot output up 6.6% to record level

By William Dawkins in Paris

AUTOMOBILES Peugeot yesterday published an increase in production for the first half of this year and announced that it was in talks on possible production in the Soviet Union.

The group produced a record 781,000 vehicles in the first six months of 1990, 6.6 per cent more than in the same period of last year. It warned, however, that the outlook was hard to predict.

"After five years of continued growth, the European market looks more uncertain," said Mr Jacques Calvet, chairman of the Peugeot group, which embraces Automobiles Peugeot and Automobiles Citroën.

Domestic French registrations of all kinds of cars rose a nominal 5.5 per cent to 1.18m in the first six months. However, Mr Calvet warned that the underlying growth in French volume was more like 1 per cent because some sales had been artificially delayed by a tax officials' strike at the end of last year.

Outside France, overall car sales rose in the Benelux countries, as well as West Germany, Italy and Switzerland, but fell in Spain and Britain. Peugeot was holding its prices against sharp competition in some markets, said Mr Calvet.

Peugeot directors confirmed they had been negotiating with Soviet authorities for the past year to start Peugeot production in a factory near Gorky. This would replace the Soviet's top range car, the Volga, though directors stressed a great deal of ground still needed to be covered before an agreement would be possible.

This included employment conditions and the financing of the venture.

INTERNATIONAL COMPANIES AND FINANCE

Banks may finance UAL buy-out

By Martin Dickson in New York

AN ATTEMPT to mount a $4.4bn employee buy-out at UAL, which owns United Airlines, has taken a significant step forward with five large banks emerging as probable co-leaders in efforts to finance the deal.

The banks – Citicorp, Chase Manhattan, Bankers Trust, Manufacturers Hanover and Chemical Banking – are still negotiating with the union-led buy-out team and have not made any firm commitment.

But the unions believe they will agree to act as co-lead managers in seeking to raise funds for the deal.

They are also discussing the possible commitment of some $500m each of their funds to the deal, provided the buy-out team can meet certain financial conditions.

The UAL deal is the largest ever employee buy-out attempted in the US and is regarded as an important indicator of banks' attitudes towards highly leveraged deals following the failure of numerous heavily indebted companies over the past year.

An earlier, management-led attempt to buy out the airline collapsed last autumn, prompting a general stock market crash.

However, the unions behind the current attempt are offering a much lower price for UAL stock – $201 a share, instead of $300.

With a much more cautious attitude to debt levels on Wall Street, the banks are believed to be insisting that a significant part of the financing for the deal come from outside equity investors.

The buy-out team has been holding talks with UAL's suppliers to try to persuade them to invest in the venture, though it remains unclear whether this would take the form of debt or preference stock. Those approached are believed to include Boeing, the aircraft manufacturer, and General Electric of the US, the maker of jet engines.

Last week UAL suspended negotiations on some $15bn worth of aircraft and engine orders in an apparent attempt to persuade manufacturers to help in the financing.

Even if the five banks agree to put up $2.5bn between them, this will still leave a large funding gap to be filled, and the union team has a deadline of August 9 for making its offer.

Citicorp and Chase Manhattan acted as co-lead banks for the previous buy-out attempt and were criticised at the time for the manner in which they attempted to syndicate the deal, which was generally regarded as overpriced.

SKF Tools, Gunther to merge

By John Burton in Stockholm

SKF TOOLS, the cutting tools division of the Swedish bearings group, will merge with Gunther & Co of West Germany to create the world's leading producer of high-speed steel tools with sales of SKr2.1bn ($350m) and a workforce of 5,000.

SKF will own 70 per cent of the new company, Cutting Tools Technology (CTT), with Gunther, which markets its products under the Titex brand name, having the remaining share. The division of ownership reflects the size of the two partners with SKF Tools having sales of SKr1.4bn last year and Gunther half of that.

SKF Tools said the merger would strengthen its position in Europe and "form a strong platform for further expansion." SKF's main markets are in Sweden, the UK and Italy, while Gunther's biggest markets are in West Germany and France. The products of the two companies will be sold under their current brand names and through separate sales channels.

CTT, which will be based in West Germany, will have almost 10 per cent of the highly fragmented global market for high-speed steel tools, which includes drills, end-mills and thread-cutting tools. SKF Tools exports 30 per cent of its products outside Europe, while non-European markets consume a quarter of Gunther's output.

CTT will be headed by Mr Anders Ilstam, the present director of SKF Tools. The division accounted for 5 per cent of SKF's total sales of SKr25bn in 1989 and reported a profit of SKr127m.

The merger is subject to approval by the West German federal anti-trust agency, but SKF said it foresaw no difficulties in winning approval.

Buoyant Nike reports record earnings

By Karen Zagor in New York

NIKE, the international maker of sports shoes and apparel, yesterday reported unexpectedly strong fourth-quarter results, helping the company report record sales and earnings for the full year.

Nike had prepared Wall Street to expect fourth-quarter per-share earnings of between $1.70 and $1.75, but the company yesterday surprised the market by posting net income of $1.77 a share, up from 97 cents a year earlier.

Nike's share price which has been rising steadily since June 28 when the group said fourth-quarter per-share earnings would be above analysts' initial estimates of $1.50 to $1.60, jumped another $3¾ yesterday morning to $83¾. Nike plans to ask shareholders to approve a three-fold increase in common stock and a two-for-one stock split at the company's annual meeting on September 17.

Mr Philip Knight, Nike's chairman, attributed the difference in earnings projections between Wall Street and Nike to a favourable revision in Nike's last-in first-out inventory reserves and to a lower tax rate than originally expected.

For the three months ended May 31, the Beaverton, Oregon-based company said its net income jumped 84 per cent to $67.2m on sales of $609m against income of $36.5m on sales of $413.4m a year earlier.

For the full year, Nike posted net profits of $243m or $6.42 a share, up more than 44 per cent from $167m or $4.45. Sales advanced 31 per cent to $2.24bn from $1.71bn.

"Even beyond this success, there remains great potential for continued growth, particularly in the international market place," said Mr Knight.

Nike's international sales grew 45 per cent in the fourth quarter and worldwide orders have increased, in dollar terms, by 42 per cent for the six months between June and November. Domestic athletic footwear orders rose 38 per cent, domestic apparel orders are 27 per cent higher and foreign footwear and apparel orders climbed 70 per cent.

In the 1990 fourth quarter, domestic footwear and apparel revenues rose 50 per cent and 37 per cent respectively. Selling and administrative expenses in the quarter were 22.1 per cent of revenues, against 25.2 per cent.

Montedison acquires full control of Moplefan

By John Wyles in Rome

MONTEDISON, part of Italy's Ferruzzi group, has acquired full control of the joint venture, Moplefan, for the manufacture of polypropylene products which it set up four years ago with the US company, Hercules.

No price was disclosed for the purchase of Hercules' 50 per cent interest in the company, a leading producer of polypropylene staple, yarn and film. Montedison said yesterday the acquisition would strengthen its specialisation in polypropylenes and would enable it to integrate the company into the global structure of its production of advanced materials.

Montedison management expects to achieve significant production, technological and research benefits from collaboration between Moplefan and Himont on polyproylene development. But it also expects Moplefan's collaboration to be fruitful with other group companies, including JMont in the household papers sector and Novamont, which derives chemicals from renewable resources.

Moplefan's sales last year reached L320bn ($263m) towards the end of a three-year L100bn programme of acquisition, expansion and development of current facilities. The company operates three plants in Terni, Italy, Liege, Belgium, and Brantham, England.

The Moplefan deal liquidates the last of the three Montedison-Hercules joint ventures which were created between 1983 and 1987. Montedison has taken full control of the other two, Himont and Intermarine, during the last two years.

Leigh to be sold 'piecemeal'

LEIGH Instruments, an Ottawa-based electronics group allowed to go into receivership by its parent Plessey of the UK due to heavy cost overruns, is being split up and sold piecemeal, writes Robert Gibbens.

A private Montreal group, CVDS, has bought Leigh's Ottawa defence electronics businesses and plans to re-open the manufacturing plants shortly.

A Calgary company will buy Leigh's distance measurement technology and there are two offers for its Micronav airport landing systems subsidiary in Nova Scotia – one from a Halifax group and the other from Canadian Marconi, majority held by General Electric.

Gannett warns of decline

By Alan Friedman in New York

GANNETT, the largest US newspaper and media concern, has said its second-quarter net profits are likely to decline, marking the first quarterly drop in earnings since the company went public in 1967.

The lagging performance is in line with that of other big US newspaper and magazine companies, which have been hit by a fall in advertising.

Mr Douglas McCorkindale, chief financial officer of the Virginia-based Gannett, yesterday declined to quantify the drop in earnings, which will be announced in about two weeks. He confirmed advertising revenues were weak and results for the month of May had been especially soft.

Analysts expect Gannett's second-quarter net to fall below the $112m, or 70 cents a share, level of the same period last year. The company's first-quarter result was an unchanged $75m net, while Gannett made $397.5m of net profits for the whole of 1989, on turnover of $3.5bn.

A 10 per cent equity stake in the company, controlled by the Gannett Foundation, the biggest single shareholder, is close to being sold. Mr McCorkindale claimed, however, that Gannett's poison pill defence should prevent the company from becoming a takeover target.

Mack and RVI to be sued

MACK TRUCKS, the US maker of heavy trucks, and Renault Vehicules Industriels (RVI), the commercial vehicles subsidiary of Renault of France, are being sued by three Mack shareholders over Renault's $6-a-share bid for the US company last week, writes Karen Zagor. The shareholders claim the bid is too low.

Growth of US law firms slows markedly

By Martin Dickson in New York

THE RATE of growth of US law firms has slowed markedly as the profitable takeover market has ebbed, but the legal business is still extraordinarily lucrative for its leading commercial practitioners, according to a survey released yesterday.

An annual study by The American Lawyer magazine found that in 1989 gross revenues of the 100 top firms in the US grew by 17 per cent, from $10.6bn to $12.4bn, compared with increases of 23 per cent and 20 per cent in the two previous years.

Furthermore, the average revenue per lawyer of the top firms rose by 6.3 per cent, only just ahead of inflation, compared with 13 per cent the year before.

The figures understate the drop in revenues due to the waning of the takeover boom, since many firms' 1989 figures include extremely lucrative bids mounted in late 1988, such as the $25bn buy-out of RJR Nabisco.

However, in 1989 the law still provided partners in the leading firms with huge incomes. The survey said the annual average salary and bonus package for chief executives of the largest US corporations was estimated at $890,000, but some 2,121 partners at the 20 most profitable law firms enjoyed comparable average incomes.

The beginning of the slowdown in deal-making was reflected in the figures for New York, which in the recent past has enjoyed a much more rapid increase in revenues. This year the average revenues per lawyer in the financial capital rose by 8.1 per cent, from $430,000 to $465,000, compared with a 5.1 per cent increase elsewhere, from $295,000 to $310,000.

As the takeover boom dies, many legal firms are switching resources to corporate bankruptcy or reorganisation work, but this is less lucrative than bids.

But, the survey said that one lesson of the 1989 figures was that with the demise of takeover work, firms would prosper by finding assignments that could generate high fee premiums, such as litigation work involving contingency fees .

The survey shows the New York firm of Skadden, Arps, Slate, Meagher & Flom, which has a very large takeover practice, heading the legal league in terms of gross revenues, with $517.5m in 1989, compared with $341.5m for second placed Baker& Mckenzie, which has its headquarters in Chicago, and $320m for Jones,Day, Reavis & Pogue of Cleveland, in third position.

However, on the main measure of financial performance – profits per partner – the list is headed by two other New York firms, Cravath Swaine & Moore, with $1.76m per partner, and Watchtell, Lipton, Rosen & Katz, with $1.59m. These two firms have headed this table since it began in 1985.

TOP US LAW FIRMS – 1989
(Ranked by gross revenues)

Rank	Firm	Location	Size Lawyers/Partners	Gross revenue ($m)
1	Skadde, Arps, Slate, Meagher & Flom	NY	948/197	517.5
2	Baker & McKenzie	Chicago	1,339/432	341.5
3	Jones, Day, Reavis & Pogue	Cleveland	1,052/369	320
4	Shearson & Sterling	New York	487/123	281
5	Gibson, Dunn & Crutcher	Los Angeles	611/194	280
6	Davis Polk & Wardwell	New York	380/96	240.5
7	Sullivan & Cromwell	New York	380/96	230
8	Latham & Watkins	Los Angeles	475/170	223.5
9	Cravath, Swaine & Moore	New York	288/64	213
10	Fried, Frank, Harris, Shriver & Jacobson	New York	368/104	213

Source: The American Lawyer

INTERNATIONAL COMPANIES AND FINANCE

BHP finds it can no longer trust to luck

Kevin Brown reports on the Australian group's plans to counter looming recession

They used to call Broken Hill Proprietary the lucky company in the lucky country. Not any more. Right now, Australia's largest company is having to work hard to overcome the looming prospect of a Government-induced recession in its domestic market.

However, BHP appears equipped to overcome the impact of the slowdown on its steel division, and looks well placed to record strong growth this year in its minerals and oil products divisions, which are less sensitive to the domestic economy.

The early effects of the slowdown were reflected in BHP's results for the year to May, which were released late last month, which showed net operating profit up only 6.4 per cent – less than inflation – to A$1.10bn (US$875m) on sales up 26 per cent to A$14.74bn.

Profit fell from 9.1 per cent to 8.2 per cent as a percentage of revenue – the lowest for four years – largely because of a cut of 6 per cent in domestic orders for steel.

To keep up sales BHP is placing greater emphasis on exports, although they carry lower profit margins. Steel exports rose by more than half in the latest year to represent 22 per cent of all sales. As a result, steel group operating profits were down to A$560m from A$566m.

BHP executives have been at the forefront of criticism of the Australian Government's policy of using high interest rates to damp down overheated domestic demand and reduce a yawning current account deficit.

Mr John Prescott, chief executive of BHP Steel, says it is "ludicrous" for the Government to suggest that Australia can afford to curtail manufacturing industry in the way that is evident from BHP's order books.

But BHP Steel appears in much better shape to withstand a domestic slowdown than it was during the last Australian recession in 1981-82.

Since then, the steel group has increased labour productivity from 200 tonnes per man-year to around 350 tonnes, and reduced industrial relations disputes by more than two thirds.

It has also moved steadily towards producing more added value steels, especially coated products, which accounted for 1.8m tonnes of total production of 5.5m tonnes last year.

Analysts say steel sales are likely to remain steady as more production is shifted into export, provided overseas demand holds up, as appears likely. Lower margins could have some impact on profits, however.

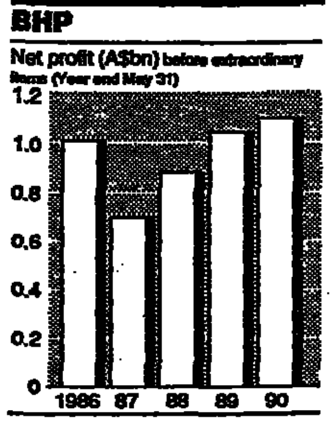
BHP has also broadened its base in minerals production through the acquisition in the mid-1980s of Utah, the US mining company.

The minerals group was BHP's star performer last year, when it increased net operating profits to A$530.5m from A$356.7m in spite of protracted labour difficulties at the Mount Newman iron ore mine in Western Australia.

A productivity agreement negotiated in March should lead to higher profitability at Mount Newman in the coming year.

Iron ore prices rose by 16 per cent in April, reflecting a second year of increasing demand, and prices for several other minerals are also on an upward trend, notably manganese.

Production at BHP's Groote Eylandt manganese mine in northern Australia was at its highest since 1966 last year,



and should benefit this year from the closure of unprofitable mines in eastern Europe.

The Ok Tedi copper mine in Papua New Guinea, in which BHP has a 30 per cent interest, is operating at record levels and will provide a profit flow once start-up debt has been reduced. Much greater profits are likely, however, from Escondida, the world's biggest copper mine, in which BHP has a 60 per cent stake.

Escondida, in northern Chile, has cost A$850m to develop, but its 1.8bn tonnes of low-cost, high-grade copper ore will make it the world's biggest and potentially most profitable copper mine. Shipments are expected to start in December, and the first profits should flow through in the second half.

BHP has also significantly widened its interests in oil and gas products over the last decade, and its petroleum group contributed A$395m to net profits last year, up 32 per cent on the previous year.

Production is declining in the group's Bass Strait oil and gas fields off south-eastern Australia, but the decline is more than offset by increasing production in the newer Timor Sea oilfields and liquefied natural gas shipments to Japan on long-term contract from the North-West Shelf.

Both production and exploration are likely to be significantly boosted by a loosening of the tax regime which is likely to emerge from a Government review currently taking place.

The group has also acquired a downstream division through the acquisition of Pacific Resources, a Hawaii-based refining and distribution company, and has established an exploration division which has acquired relatively low cost acreage in the Middle East, Africa and South America.

It also has an interest in the North Sea through Hamilton Oil, a US-based subsidiary.

BHP's main downside risk lies with its A$850m holding in Harlin, the private company set up by Mr John Elliott to acquire majority control of Elders IXL, the Australian brewing group.

Harlin's only asset is its 55.8 per cent shareholding in Elders, acquired at A$2.56 per share adjusted for a bonus issue. With Elders shares now trading at around A$1.73 the company has a negative net worth and is unable to cover interest costs on debt acquired to finance the purchase.

However, BHP ranks high in debt seniority if Harlin has to be wound up, and remains confident that it would recover its investment if Elders was to be broken up and its assets sold, as seems increasingly likely.

In any case, BHP's exposure to Harlin is more than offset by an unrealised capital gain of around A$1bn through its investment in Beswick, a company set up by BHP and Elders to hold Elders' 20 per cent stake in BHP.

BHP owns 88 per cent of Beswick, which paid an adjusted average of A$6.50 per share for its BHP holding, compared with a trading price of around A$9.50, implying a profit of A$3 on each of its 330m shares.

"BHP is a different animal from the company that struggled through the 1981-82 recession," says Mr Barry Dawes, head of resources analysis at Macquarie Equities, the Sydney stockbroker.

"The company is far better managed, far more flexible, and has achieved a great deal in improving its labour productivity and moving towards value added products.

"The outlook is very positive. If there is a major downturn in the US, Europe or Japan then BHP will be affected, but there is no sign of that at the moment."

BHP is also likely to benefit this year from a reduction in interest payments on its A$8bn debt, because Australian interest rates appear to have peaked and are likely to begin to fall later in the year, especially if the economy continues to slow.

Attempts to forecast net profits are complicated by the company's exposure to currency risks. Analysts say net profits could be little more than A$1250m if the Australian dollar remains at its current high level of around 80 US cents.

However, most observers expect the Australian dollar to fall back towards 70 US cents once interest rates begin to fall. At that level, net profits could reach A$1.55bn.

QCT buys mine from Pennant

By Bruce Jacques in Sydney

QCT RESOURCES, one of Australia's biggest listed coal miners, has finally found a target for its widely broadcast expansion plans.

The company yesterday agreed to buy the South Blackwater coal operation, in Queensland's Bowen Basin region, for about A$147m (US$117m) from Perth-based Pennant Holdings, the troubled construction group.

The purchase will further consolidate QCT's position in the Bowen Basin where it controls a stake of nearly 28 per cent in six mines managed by BHP-Utah, which account for more than half of Australia's hard coking coal exports.

The purchase will lift QCT's annual coal entitlement to 10m tonnes from 8m tonnes, placing it among Australia's top six coal shippers.

QCT has been trying to expand its coal assets for at least two years and recently unsuccessfully offered about A$80m for a 12 per cent interest in the CRA-controlled Blair Athol mine, also in Queensland, which exports steam coal.

For Pennant, the sale will remove some of the company's debt problems, but Mr Brian Johnson, the chairman, said yesterday it still needed to sell further assets to reduce remaining debt of about A$50m.

The key asset still for sale is the company's controlling interest in John Holland Holdings, one of Australia's biggest construction companies.

Shares in engine developer placed

BHP has cut its stake in Sarich Technologies, the Perth-based developer of an orbital automotive engine, to 28 per cent from 35 per cent, placing 11m shares with international investors, Our Financial Staff writes.

It would provide a further 4m shares to "strategic industry-related investors," it said, adding that this was at Sarich's request and that Sarich had itself placed 9m new shares with institutions at A$2.20. BHP did not disclose the price of its placing. Sarich shares rose 7 cents to A$2.25.

Mitsubishi takes over US oil company

By Stefan Wagstyl in Tokyo

MITSUBISHI OIL, a leading Japanese refining group, and its Mitsubishi Petroleum Development affiliate yesterday announced the acquisition of Merlin Petroleum, a US exploration and development company, for $75m.

The deal highlights the growing interest of Japanese oil companies in acquiring foreign companies with assets which produce oil and gas or have the potential to do so.

The opportunity to buy Merlin was created by the financial difficulties of Mr Alan Bond, the Australian entrepreneur. Bond Petroleum, a subsidiary of Bond Corporation, Mr Bond's holding company, offered for sale a 79.5 per cent stake in Merlin. S. G. Warburg, the UK merchant bank, advised the Mitsubishi companies on the transaction.

Merlin's main assets are stakes in two exploration areas operated by Chevron, the US group, in Papua New Guinea. It has 6.25 per cent of PPL-100, an onshore exploration licence area where Chevron has applied for a development licence, and 12.5 per cent of PPL-111, another exploration licence area nearby.

The two Mitsubishi companies expect the total cost of developing PPL-100 to be about $600m. Production is to start in the next year and could rise to a peak of 100,000 barrels a day. The Japanese companies' share will be shipped to refineries in Japan.

Mr Takanai Ogino, general manager of the overseas projects department of Mitsubishi Oil, said Japanese companies were increasingly interested in buying stakes in companies with an interest in a producing field or in one which was close to production. They disliked the risks involved in getting into exploration projects at an early stage. More advanced projects offered less profit but also less risk.

However, Japanese companies' main intention was to secure sources of supply, not to profit directly from exploration and development. "You can say we are very cautious," said Mr Ogino.

The Mitsubishi companies' purchase follows the acquisition last year by Nippon Oil, the largest Japanese refiner, of Malacca Strait, a US-owned company with a 17.55 per cent interest in a field in the Indonesian portion of the Malacca Strait.

The Japanese Government supports Japanese companies' exploration and development work in order to help secure resource-poor Japan's energy supplies. Since 1967 Japan National Oil Corporation, a Government agency, has extended equity capital or low-interest loans to 163 projects, of which 26 have been turned into production sites. Mitsubishi Oil and Mitsubishi Petroleum Development have asked for government funds for the Merlin projects.

S Africa continues aid for mine

By Philip Gawith in Johannesburg

THE FUTURE of South Africa's troubled ERPM gold mine has been temporarily secured following a Government decision last week that it would continue to provide assistance to the mine.

Mr Barend du Plessis, acting Minister of Mineral and Energy Affairs, said the Government had accepted the recommendations made by the Melamet Commission, appointed to investigate the viability of providing additional funding to keep ERPM operational.

The additional financial assistance will consist of a further loan from Rand Mines, which manages ERPM, and deferment of certain of the interest on existing loans by First National Bank and Rand Mines until all loans are repaid.

The state has undertaken to assist if necessary in the payment of deferred interest in December 1992 by way of a guarantee, loan or subsidy.

Rand Mines would not disclose details of the assistance it will be providing, but this is assumed to be similar to the plan it presented to the commission which involved a R35m ($13.25m) loan from Rand Mines and a R40m sale of assets by ERPM.

The Government's announcement follows the publication earlier of a detailed inquiry into the position of marginal mines which concluded that state aid should only be offered to mines which were viable in the long term.

The commission said it was treating ERPM as a new mine which does not fall within the general category of marginal mines.

INTERNATIONAL CAPITAL MARKETS

Treasuries depressed in the wake of US jobs data

By Karen Zagor in New York and Tracy Corrigan in London

US Treasury bonds extended their losses yesterday in thin trading as the market remained depressed after Friday's employment figures for June, which were not weak enough to support an easing of monetary policy.

In late trading, the Treasury's benchmark 30-year bond was down $\frac{13}{32}$ point at $102\frac{7}{32}$, yielding 8.54 per cent. Losses were smaller at the shorter end of the yield curve, where the two-year issue was down $\frac{1}{32}$ point to yield 8.37 per cent.

The Federal Reserve arranged three-day system repurchase agreements when Fed Funds, the rate at which banks lend to each other overnight, were changing hands at $8\frac{5}{16}$ per cent. The operation, which adds reserves to the banking system, was expected and seen as another clear signal that monetary policy was not eased at last week's Federal Open Market Committee meeting.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-28	-06/32	12.68	12.36	12.59
		10.500	5/99	91-21	-13/32	12.05	11.72	12.00
		9.000	10/08	83-18	-13/32	11.12	10.83	11.08
US TREASURY *		8.875	05/00	102-01	-11/32	8.58	8.43	8.46
		8.750	05/20	102-05	-13/32	8.55	8.42	8.43
JAPAN	No 119	4.800	6/99	86.9581	+0.121	7.20	7.29	7.07
	No 2	5.700	3/07	91.2545	+0.214	6.82	6.83	6.58
GERMANY		7.750	02/00	93.8200	-0.280	8.71	8.68	8.83
FRANCE	BTAN	9.000	02/95	96.2915	-0.207	10.01	9.98	10.10
	OAT	8.500	03/00	92.6300	-0.290	9.69	9.62	9.80
CANADA *		9.750	05/00	94.0000	-0.100	10.75	10.69	10.57
NETHERLANDS		9.000	05/00	101.1300	-0.070	8.82	8.84	9.00
AUSTRALIA		12.000	7/99	93.2405	+0.147	13.31	13.38	13.53

London closing, *denotes New York closing
Yields: Local market standard
Prices; US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Bond prices were also hurt by weakness in the dollar in early trading, but the US currency picked up and changed hands at Y151.15 and DM1.6530 in late trading compared with Y151.70 and DM1.6515 late Friday in New York.

Bond prices are also under some downward pressure from the amount of new supply to be absorbed this week, and there was some nervousness in the morning ahead of the Treasury's record $18bn sale of three-month and six-month bills in the afternoon. However, the market had little problem absorbing yesterday's increased supply.

The market now faces a record $8bn of seven-year notes on Wednesday and Tuesday's sale of $5bn of 30-year bonds by the Resolution Funding Corp.

■ THE GILTS market failed to benefit yesterday from better-than-expected June producer prices figures and an advancing pound.

The long gilt future on the London International Financial Futures Exchange ended $\frac{11}{32}$ point lower at 83.20, despite sterling's robust performance. Some signs of Japanese selling overnight re-awakened fears that the strength of the currency would spark profit-taking by overseas investors.

Barring any further pronouncements on sterling's entry into the exchange rate mechanism of the European Monetary System, dealers expect current range trading in low volume to persist in the gilt market ahead of the release of retail prices data on Friday.

■ A DISAPPOINTING start to the week by the US Treasury market dampened sentiment in European government bond was markets, causing small price declines in most.

In West Germany, the Bund futures contract fell through a support level of about 83.40 to end ¼ point down at 83.29.

Dutch government bond prices also slipped slightly in light trading. Today's auction of 10-year government bonds is expected to be on the small side, at Fl 2bn to Fl 3bn, as the Government has already accomplished much of its funding, analysts say. The market is being supported by the relative lack of funding, compared with West Germany's increasing government debt.

■ JAPANESE government bond prices ended off their lows when the yen gained some ground. The slight currency-driven improvement came in very low turnover, as investors stayed out of the market again.

Private Turkish bank seeks $50m loan

By Stephen Fidler, Euromarkets Correspondent

THE PRIVATE Turkish commercial bank Interbank is raising $50m through a three-year revolving credit.

The loan follows completion last week of a $200m credit for Turkey with a group of 21 banks.

The Interbank credit carries a facility fee of 45 basis points, a margin over London interbank offered rates of 50 basis points and front-end fees ranging down from 40 basis points. The facility, with a tender panel, is underwritten by six banks, with J.P. Morgan running the books.

● Manufacturers Hanover launched a DM150m credit for VBKreditt with a maturity of three years 11 months and a margin of 22½ basis points over Libor. A commitment fee of 10 basis points is payable on undrawn amounts, which will rise by 2½ basis points if less than half is drawn.

According to Norway's Banking, Insurance and Securities Commission, the facility will carry a 20 per cent risk asset weighting.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98¾	99¼	-⅛	9.33
ALBERTA PROVINCE 9 3/8 95	600	100⅝	101	-⅛	9.20
AMERICAN GENERAL 9 3/4 95	100	97¼	99	-⅝	10.49
AUSTRALIA 11 1/4 00	100	107⅞	109		9.97
AUSTRIA 8 1/2 00	400	95	95⅜	-⅛	9.30
BANK OF TOKYO 8 3/8 96	100	95¼	95¾	-⅛	9.47
BELGIUM 9 1/8 92	400	100¼	100⅝	-⅛	8.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92⅞	93⅞		9.39
KREDIETCORP 7 93 LFr	1000	93⅝	94⅝		9.47
WORLD BANK 8 96 LFr	1000	94	95		9.38
AMRO BANK 6 1/4 92 Fl	150	94¼	94¾		9.45
DENMARK 8 1/2 91 Fl	100	99⅝	100		9.36
HEINEKEN 7 5/8 94 Fl	150	95¼	96		9.10
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94½	95¼		9.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday July 9, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.9709	33.3333	36.3886
Albania	(Lek)	10.245	5.6743	3.4408	3.7561
Algeria	(Dinar)	15.336	8.4940	5.1506	5.6227
Andorra	(Fr Fr)	9.9925	5.5344	3.3560	3.6636
	(Sp Peseta)	182.20	100.9138	61.1922	66.8010
Angola	(Kwanza)	52.52o	29.9180	17.6389	19.2557
Antigua	(E Carr $)	4.888	2.7072	1.6416	1.7921
Argentina	(Austral)	9541.34	5284.5970	3204.4802	3498.1998
Aruba	(Florin)	3.241	1.7950	1.0884	1.1882
Australia	(Aus $)	2.2555	1.2492	0.7575	0.8269
Austria	(Schilling)	20.905	11.5785	7.0209	7.6645
Azores	(Port Escudo)	260.30	144.1705	87.4223	95.4353
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Falkland Is	(Falk £)	1.00	0.5538	0.3358	0.3666
Faroe Is	(Danish Kroner)	11.3200	6.2697	3.8018	4.1503
Fiji Is	(Fiji $)	2.6817	1.4852	0.9006	0.9832
Finland	(Markka)	6.9635	3.8568	2.3387	2.5530
France	(Fr)	9.9925	5.5344	3.3560	3.6636
Fr. Cty/Africa	(CFA Fr)	499.625	276.7238	167.8001	183.1805
Fr. Guiana	(Local Fr)	9.9925	5.5344	3.3560	3.6636
Fr. Pacific Is	(CFP Fr)	178.00	98.5876	59.7816	65.2612

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon	(CFA Fr)	499.625	276.7238	167.8001	183.1805
Gambia	(Dalasi)	15.273	8.4591	5.1294	5.5996
Germany East	(Ostmark)	2.9775	1.6491	1	1.0916
Germany West	(D Mark)	2.9775	1.6491	1	1.0916
Ghana	(Cedi)	597.135	330.7310	200.5491	218.9312
Gibraltar	(Gib £)	1.00	0.5538	0.3358	0.3666
Greece	(Drachma)	292.30	161.8942	98.1696	107.1677
Greenland	(Danish Krone)	11.3200	6.2697	3.8018	4.1503
Grenada	(E Carr $)	4.888	2.7072	1.6416	1.7921
Guadaloupe	(Local Fr)	9.9925	5.5344	3.3560	3.6636
Guam	(US $)	1.8055	1	0.6063	0.6619
Guatemala	(Quetzal)	7.1007	3.9328	2.3847	2.6033
Guinea	(Fr)	543.15	300.8307	182.4180	199.1394
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Namibia	(S A Rand)	4.7745	2.6444	1.6035	1.7505
Nauru Is	(Australian $)	2.2555	1.2492	0.7575	0.8269
Nepal	(Nepalese Rupee)	52.573	29.1182	17.6567	19.2751
Netherlands	(Guilder)	3.3525	1.8568	1.1259	1.2291
N'nd Antilles	(A/Guilder)	3.241u	1.7900	1.0884	1.1882
New Zealand	(NZ $)	3.05825	1.6938	1.0271	1.1212
Nicaragua	(Cordoba)	697042.5	386066.187	234103.275	255560.953
Niger Rep	(CFA Fr)	499.625	276.7238	167.8001	183.1805
Nigeria	(Naira)	14.267	7.9019	4.7916	5.2307
Norway	(Nor. Krone)	11.4100	6.3195	3.8320	4.1833
Oman	(Rial Omani)	0.6961	0.3855	0.2337	0.2552

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	38.90	21.5452	13.0646	14.2621
Panama	(Balboa)	1.8055	1	0.6063	0.6619
Papua New Guinea	(Kina)	1.7280	0.9570	0.5803	0.6335
Paraguay	(Guarani)	2165.79	1199.5513	727.3853	794.0568
Peru	(Inti)	70253.7	38910.9387	23594.8614	25757.5435
Philippines	(Peso)	40.90	22.6530	13.7363	14.9954
Pitcairn Is	(£ Sterling)	1.00	0.5538	0.3358	0.3666
	(NZ $)	3.05825	1.6938	1.0271	1.1212
Poland	(Zloty)	16737.00	9270.0083	5621.1586	6136.3886
Portugal	(Escudo)	260.30	144.1705	87.4223	95.4353
Puerto Rico	(US $)	1.8055	1	0.6063	0.6619
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	(Dong)	8147.25	4512.4619	2736.2720	2987.0760
Virgin Is-British	(US $)	1.8055	1	0.6063	0.6619
Virgin Is-US	(US $)	1.8055	1	0.6063	0.6619
Western Samoa	(Tala)	4.263	2.3611	1.4317	1.5629
Yemen	(Rial)	21.726	12.0332	7.2967	7.9656
Yemen PDR	(Dinar)	0.835u	0.4610	0.2804	0.3061
Yugoslavia	(Dinar)	20.6178	11.4194	6.9245	7.5592
Zaire Rep	(Zaire)	1028.00	569.3713	345.2560	376.9019
Zambia	(Kwacha)	70.40	38.9919	23.6439	25.8111
Zimbabwe	($)	4.435	2.4563	1.4895	1.6260

Special Drawing Rights July 6, 1990. United Kingdom £0.748006 United States $1.33534 Germany West D Mark 2.20758 Japan Yen201.570 European Currency Unit Rates July 9, 1990. United Kingdom £0.694306 United States $1.25669 Germany West D Mark 2.06978 Japan Yen189.447

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday July 9, 1990

NORTHAM PLATINUM LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 77/03282/06)

ISSUED CAPITAL: 57,600,000 shares of 1 cent each, fully paid

	Quarter ended 30 June 1990	Quarter ended 31 March 1990	Year ended 30 June 1990
Pre-production Mine Development Expenditure (R000)			
Capital expenditure	106,144	48,301	232,855
Net income after tax	3,344	2,404	14,162
	102,800	45,897	218,693

All income and expenditure has been capitalised as pre-production mine development expenditure.

(1) Capital Expenditure The unexpended balance of authorised capital expenditure at 30 June 1990 was R617.1 million.

(2) Rights Offer The rights offer of shares which was made to shareholders during May 1990 in order to raise an amount of approximately R625.2 million (net of estimated expenses of R8.4 million) was successfully concluded.
Acceptances representing 96% of the offer were received, with the balance being taken up by Gold Fields of South Africa Limited, underwriter to the offer. Accordingly, 28,800,000 shares were allotted on 21 June 1990.

(3) Shafts
Zondereinde – No. 1 Shaft-Z The shaft was sunk 31 metres to a depth of 1,833 metres below collar. The 9 Level development towards No. 2 Shaft and the reef and waste passes were completed.
Zondereinde – No. 2 Shaft-Z The shaft was equipped to collar elevation and the change over in headgear was completed. As a consequence the shaft has now been commissioned.

(4) Metallurgical Plant The construction of the concentrator, smelter and base metal removal plants is continuing.

On behalf of the Board
A J Wright } Directors
C T Fenton }

9 July 1990

A MEMBER OF THE GOLD FIELDS GROUP

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 01/01124/06)

ISSUED CAPITAL: 16,862,721 shares of 50 cents each

	Consolidated Quarter ended 30 June 1990	Consolidated Quarter ended 31 March 1990	Consolidated Six Months ended 30 June 1990
OPERATING RESULTS (TONS 000)			
Coal mined	2,690	2,433	5,123
Coal sold	2,173	2,028	4,201
FINANCIAL RESULTS (R000)			
Sales	67,154	59,719	126,873
Cost of sales	56,369	50,387	106,756
	10,785	9,332	20,117
Sundry revenue – net	1,657	1,954	3,611
Profit before tax	12,442	11,286	23,728
Tax	3,405	6,976	10,381
PROFIT AFTER TAX	9,037	4,310	13,347
Capital expenditure	2,130	1,070	3,200
Dividend	6,745	–	6,745

NOTES:
(1) Capital Expenditure The unexpended balance of authorised capital expenditure at 30 June 1990 was R10.0 million.
(2) Dividend A dividend (No.154) of 40 cents per share declared on 21 June 1990 is payable to members on 8 August 1990.

On behalf of the Board
J G Hopwood } Directors
M B Forsyth }

9 July 1990

A MEMBER OF THE GOLD FIELDS GROUP

DIVIDEND NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS FOR COMMON STOCK OF TOSHIBA CORPORATION (FORMERLY TOKYO SHIBAURA ELECTRIC COMPANY) DESIGNATED COUPON NO. 78 (ACTION REQUIRED ON OR PRIOR TO OCTOBER 31ST 1990)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of February 15th 1970 among Tokyo Shibaura Electric Company Limited (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE of a dividend of 5.50 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock on record of Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 152.48425 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Belgium, Canada, Denmark, France, The Federal Republic of Germany, Malaya, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organised thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15% it is necessary that the surrender of Coupon No. 78 be accompanied by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depositary in London or any Depositary's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 78. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below upon surrender of Coupon No. 78.

DEPOSITARY'S AGENTS

NAME	ADDRESS
Chemical Bank	Frankfurt, Germany
The Bank of Tokyo Limited	London, England
The Bank of Tokyo Limited	Paris, France
The Bank of Tokyo Limited	Brussels, Belgium
The Bank of Tokyo Limited	Frankfurt, Germany
Pierson, Heldring & Pierson	Amsterdam, The Netherlands
Banco Nazionale del Lavoro	Rome, Italy
Banco Nazionale del Lavoro	Milan, Italy
Kredietbank S.A. Luxembourgeoise	Luxembourg

The following table sets forth the amounts payable upon presentation of Coupon No. 78 from the various denominations of Receipts.

Coupon No. 78 Detached from Receipts in the Denomination of:	Dividend Payable (less 15% Japanese withholding tax)	Dividend Payable (less 20% Japanese withholding tax)
1 Depositary Share	$1.53	$1.44
10 Depositary Shares	$15.33	$14.43
20 Depositary Shares	$30.66	$28.86
50 Depositary Shares	$76.64	$72.13
100 Depositary Shares	$153.28	$144.26

Payment in United States Dollars in respect of Coupon No. 78 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: 10.7.90 Chemical Bank, as Depositary, 180 Strand, London WC2R 1EX, England.

*March 30th 1990 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 78 attached.

**Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deems appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after October 31st 1990 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupon No. 78.

As a result, persons surrendering Coupon No. 78 after such date will be entitled to receive from the Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

CHEMICAL BANK
As Depositary

SABRE VIII LIMITED
¥5,000,000,000
Floating Rate Secured Notes Due 1993

For the 3 months period 6th July, 1990 to 8th October, 1990 the Notes bear the interest rate at 7.6875% per annum. ¥20,073.00 will be payable from 8th October, 1990 per ¥1,000,000 principal amount of Notes.

Yamaichi International (Europe) Limited, Agent Bank

INTERNATIONAL CAPITAL MARKETS

Bundesbank in first move to update issue practices

By Katharine Campbell in Frankfurt

LONG-OVERDUE changes in issue procedures for West German government bonds were announced yesterday by the Bundesbank, which is keen to bring outmoded local practices into line with international standards.

As a first tentative step, the procedure of control numbers will be abolished, commissions reduced and a partial auction system introduced.

These measures represent the first breech of the profitable bond consortium, dominated by the big domestic banks. Eventually the consortium will be abolished, to make way for a calendar auction, the proven method in the most active world bond markets such as the US and Japan.

A spur for change has been the prospect in West Germany of a heavy central government borrowing requirement due to the mounting costs of reunification with East Germany.

Control numbers are a relic of when Bunds were principally placed with small retail investors, and form a tedious complication for international institutional investors.


Karl Pöhl: auction quotas form big competitive handicap

They were designed to ensure firm placement of paper for the first year, and were attached to all Bunds issued through the consortium. If the Bundesbank found any paper re-emerging in the market during the year, the relevant syndicate member was asked to repay 1 per cent of the 1¼ per cent commission fee. Now that control numbers no longer apply, the commission fee has been cut to ⅞ per cent.

The West German Government is also experimenting with auctioning an unspecified portion of some issues. Mr Karl Otto Pöhl, the president of the Bundesbank, has singled out Frankfurt's divergence from international practices in this area as a major competitive handicap. The consortium quotas, supposedly allocated according to placing power, are changed infrequently, so foreigners in particular complain that they can often sell more than their allocation. They would like all issues auctioned.

But bankers were puzzled yesterday as to how consortium and tender could be combined, even as an interim measure, for a single Bund issue. They argued that the consortium committee meeting to fix terms could coincide with the deadline for auction bids, considerably confusing pricing strategies.

Chicago options firm in link with Japanese

By Deborah Hargreaves

MITSUBISHI Trust and Banking Corporation has agreed to form a joint venture futures and options company with Chicago Research and Trading Group in a partnership that will give the Japanese company access to CRT's wide options expertise. CRT is the largest options firm in the world.

The partnership, which may be called CRT-MTBC, will be capitalised at $150m. It will be active in a range of capital markets activities, particularly currency and interest-rate risk management products for corporate and institutional customers.

The agreement will also give Mitsubishi entry into the US Treasury bond market, through CRT's primary dealer subsidiary.

The deal is the latest in a rush of Japanese interest in Chicago's derivatives markets. The large Japanese securities houses have bought seats on Chicago's futures exchanges, and they have been looking to buy into local firms in a bid to gain experience in derivatives.

Mr Phil Hubbard, chief operating officer at CRT, says the partnership will enable the firm to expand in Europe. It has a presence on several of London's markets.

Five Swiss issues occupy investors

By Andrew Freeman

THE FOREIGN bond market in Switzerland enjoyed an active session yesterday, with five new issues emerging to engage investors.

Following the re-opening of the Japanese bonds-with-equity warrants market in London last week, the Japanese convertible sector was convincingly opened by Morgan Stanley for the first time since March.

A SFr125m deal, increased to SFr150m during syndication, was launched for Maruko, a Japanese property company. The issue, which had an unusual 6¼-year maturity, met fine demand, with the lead manager reporting interest from institutions. According to Morgan Stanley, the bonds were trading at a 2¼ point premium to their par issue price, although elsewhere prices were as high as plus 3¼ bid.

Before the new issues emerged, the notes market was quiet amid concern over domestic interest rates and a spate of regional holidays. As the new paper went out, however, interest picked up.

Union Bank of Switzerland brought a public SFr100m 15-year callable deal for Nordbanken, the borrower's first issue under its newly-merged name in the Swiss market. Nordbanken is the trading name of the group formed by the merger of PKbanken and Nordbanken.

The bonds, callable yearly after 10 years, carried a 7⅛ per cent coupon and were quoted by UBS inside full fees at less 2¾ bid. Last week's 10-year deal for SE Banken eased by about ⅛ point on the news.

Crédit Suisse was the lead manager of a SFr85m seven-year private placement for Toyota Motor Credit Corporation. The notes carried a 7 per cent coupon. Although the pricing was judged as fair, the notes failed to spark imagination and were trading around less 1⅝ bid, a discount equivalent to co-managers' fees.

SBC brought a SFr50m notes issue for Nationale Investeringsbank, the Dutch state-controlled commercial and investment bank. The bonds were trading at less 1¼ bid, around fees of 1⅜ per cent.

A SFr50m deal for IMI Bank International came late via Banca Del Gottardo and was indicated just outside fees.

In West Germany, bond prices eased slightly in thin volumes. Commerzbank is expected to launch a rare deal for a Czechoslovakian bank name this week. The issue should be between DM200m and DM250m.

Meanwhile, the Eurobond market was strangely quiet, with issue activity falling away in the face of scepticism from borrowers. Syndicate managers said many borrowers were expecting interest rates to move lower and when this did not happen they held back.

Recent primary issues in the Eurodollar sector benefited from the lack of new supply. Traders said most deals tightened in spread terms against Treasuries by a few basis points, with top quality names particularly in demand.

For example, the Toyota Motor Credit issue launched last Tuesday by UBS Phillips & Drew tightened at one stage to 31 basis points over Treasuries, against its launch spread of 38 basis points. At the close, the bonds were trading at a spread around 33 basis points. UBS P&D said there was good demand from Switzerland.

In the secondary market, the Ecu sector took a knock as traders absorbed the fact that actual bonds were trading inside their synthetic or theoretical counterparts. In what dealers said was good two-way business, yields on Ecu paper rose by between 3 and 5 basis points.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
SWISS FRANCS						
Maruko Inc.(a)§★★	150	4	100	1996	1¾	Bank Morgan Stanley
Nordbanken(b)◆	100	7⅛	102	2005	2¾	UBS
Toyota Motor Credit(c)★★◆	85	7	102	1997	1⅝	Credit Suisse
Nat.Investeringsbank(c)★★◆	50	6⅞	101¼	1995	1⅜	Swiss Bank Corp.
IMI Bank Int.(Cayman)(c)★★◆	50	7¼	101⅝	1994	1¼	Banca del Gottardo

★★Private placement. §Convertible. ◆Final terms. a) Put option 30/6/94 at 110 to yield 6.391%. b) Call after 10 years at 101 declining ¼% p.a. c) Non-callable.

UK tops global investor league

By Stephen Fidler, Euromarkets Correspondent

BRITISH investors were the most active traders in the world's stock markets last year, responsible for more than one-in-five international equity trades in a growing market.

The UK had the largest number of net buyers of foreign shares, pulling it further ahead in the league of international equity investors, according to a report from Salomon Brothers.

The report, Salomon's fourth annual study of the international equity market, says that $92.3bn worth of funds flowed into foreign equities last year – $85.1bn if purchases of Japanese equity warrants are excluded – making it the most active year for cross-border portfolio investment.

One share trade in seven involved a foreign investor, compared with one in 16 a decade ago. If companies listed on foreign stock exchanges are included – for example UK companies listed in the US – this increases to one in five.

UK investors were responsible for $29.8bn of the funds being invested in foreign stock markets last year, ahead of Japan ($17.9bn, or, excluding equity warrants issued in Europe, $10.6bn), the US ($20.9bn) and the rest of Europe ($16.4bn).

Most new investment last year was destined for European markets, which attracted more than half of new funds, the study reports. Some $41.1bn was invested in continental European markets and a further $8bn in the UK.

German, French and Spanish shares figured prominently, with new investment of $11.6bn, $8.5bn and $5.9bn respectively. Foreign investment in West Germany was higher than in the US, where outsiders pumped a net $11.5bn into share purchases.

The pace of investment abroad by Japanese institutions has slowed from its 1987 peak, but a greater proportion of Japanese money is heading for Europe. About 78 per cent of Japanese investment in 1987 was in Japanese equities, but only 31 per cent in 1989. Investment in Europe from Japan rose to 27 per cent.

UK investors accumulated $222.3bn of international equities by the end of last year, divided roughly equally into US, Far Eastern and European markets. Swiss fund managers came a distant second with $138bn, although less than a fifth of that total is owned by Swiss nationals. US investors were in third place, with $89.4bn, and Japanese in fourth place with $62.6bn – although this drops to $30.2bn if foreign listed Japanese equity warrants are excluded. West German investors held $17.8bn in foreign stocks.

The value of cross-border purchases and sales reached a high of $1,598.1bn last year, 14.5 per cent of world equity turnover. A further $526bn worth of foreign share transactions were traded on investors' domestic exchanges.

Philadelphia SE sets longest day

THE Philadelphia Stock Exchange is set to establish the longest trading day for any exchange when it extends its trading day to 20½ hours on September 16, writes Deborah Hargreaves.

The exchange said yesterday that it would lengthen trading for its foreign currency options by six-and-a-half hours to coincide with afternoon trading in the Far East and the Pacific Rim countries.

The PHLX first introduced a night session in 1987 and has decided to extend its trading day rather than list its contracts on a screen-trading system, in contrast with other exchanges.

Sanwa bank to form UK leasing company

By Robert Thomson in Tokyo

SANWA BANK, the fourth largest Japanese bank, is to establish a leasing company in London.

The move is being made as Japanese banks are showing increasing interest in the European leasing market in anticipation of a surge in business as a result of the retooling of East German factories.

Sanwa claims to be the first Japanese bank to establish a broad-based European leasing company, though some banks have stakes in operations run by their corporate families, and others have established companies specialising in fields such as aircraft leasing.

Mr Ryuzo Okuto, general manager of Sanwa's international department, said that the new company, Sanwa Business Credit (UK), expected business from Japanese companies and from clients of its wholly-owned US leasing company, Sanwa Business Credit, which will take a 30 per cent share of the UK company.

"We bought the US operations five and a half years ago from Continental Bank and it has grown in a very profitable way. We will bring in human resources from the US company for the London operations," Mr Okuto said.

The bank has planned the London company for about three years. It aims to start business in late September or early October with capital of £10m ($17m) and expects that investment and staff numbers will increase rapidly.

The Long-Term Credit Bank of Japan shares a London-based aircraft leasing company, Aviation Capital Enterprise, with Japan Leasing, while the Bank of Yokohama has a London leasing operation, and Mitsubishi Bank has a presence through its affiliate, Diamond Lease. Fuji Bank plans to take a share in a Hungarian leasing company.

Mr Okuto said that the range of services offered by Sanwa's subsidiary would be wider than that of other banks' leasing operations

A strong domestic market has given Japanese leasing companies a firm foundation for international operations. Last year the contract value at home rose by 26.9 per cent, with demand particularly strong for industrial machines.

About 55 per cent of Japanese leasing contracts are to small and medium-sized companies, with 41 per cent to large companies, and 4 per cent to government agencies. The Government has encouraged leasing companies to import equipment, such as aircraft, and then lease abroad as a means of reducing the trade surplus.

Sanwa has leasing subsidiaries in Hong Kong and Australia, and joint ventures in China, Indonesia and Thailand. Mr Okuto said the accumulated knowledge in international tax structures would enable the London operation to "design attractive packages for our customers.

"We have always thought that continental Europe was difficult because of the dominance of local companies. They are still powerful, but by bringing in our customer base and know-how we think that we can succeed," he said.

"France is a big market, and Germany will become a very big market with the changes in East Germany. The most important thing for us to consider when choosing a site for a German office is to be able to secure good quality staff. Frankfurt is probably still the best city for that."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday July 9 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Jul 6 Index No.	Thu Jul 5 Index No.	Wed Jul 4 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	873.60	-0.4	13.24	5.32	9.22	22.72	877.35	875.02	884.90	966.32
2	Building Materials (26)	1099.26	-1.0	13.92	5.48	8.88	30.01	1110.40	1107.22	1124.50	1187.43
3	Contracting, Construction (36)	1421.84	-0.8	16.72	5.78	7.78	35.19	1433.08	1427.03	1438.73	1643.17
4	Electricals (10)	2455.36	-0.3	11.70	5.42	10.52	61.43	2461.52	2473.11	2499.89	2835.28
5	Electronics (26)	1788.56	-0.8	10.55	4.50	12.33	51.23	1803.85	1806.62	1825.33	2214.34
6	Engineering-Aerospace (8)	473.17	+0.1	13.70	4.97	8.70	9.54	472.79	468.39	469.63	0.00
7	Engineering-General (46)	489.28	-0.2	12.01	5.22	10.06	11.34	490.04	490.04	493.80	0.00
8	Metals and Metal Forming (6)	482.43	+0.2	24.03	6.97	5.07	16.45	481.49	477.53	490.56	516.40
9	Motors (14)	362.81	-0.1	15.31	6.34	7.61	9.81	363.27	364.54	369.92	329.53
10	Other Industrial Materials (24)	1573.12	-0.1	11.18	5.12	10.34	38.49	1574.26	1565.24	1580.13	1648.09
21	CONSUMER GROUP (178)	1297.38	-0.2	9.39	3.89	13.15	21.74	1299.69	1295.54	1312.46	1261.05
22	Brewers and Distillers (22)	1608.86	-0.2	9.47	3.62	12.69	23.74	1611.49	1604.49	1616.21	1396.30
25	Food Manufacturing (20)	1099.44	-0.6	10.42	4.30	11.88	22.71	1105.98	1104.28	1114.08	1156.98
26	Food Retailing (16)	2505.93	+0.2	9.25	3.28	13.85	33.61	2501.20	2500.06	2545.42	2390.04
27	Health and Household (15)	2565.33	+0.9	6.71	2.70	17.74	25.10	2541.88	2532.00	2566.86	2239.10
29	Leisure (32)	1469.71	-1.5	9.92	4.20	12.26	32.35	1491.38	1486.41	1504.56	1677.13
31	Packaging & Paper (12)	607.70	+0.1	10.92	5.65	11.29	12.94	607.12	605.45	606.76	569.58
32	Publishing & Printing (16)	3545.19	......	10.16	5.21	12.30	81.93	3547.10	3542.18	3583.78	3568.83
34	Stores (34)	784.64	-1.0	11.30	4.78	11.39	15.90	792.81	788.24	805.00	837.21
35	Textiles (11)	495.97	+0.3	12.42	7.25	10.16	18.26	494.61	496.17	508.90	542.12
40	OTHER GROUPS (106)	1184.45	-0.1	10.99	5.00	10.96	17.45	1185.90	1188.22	1198.87	1131.20
41	Agencies (17)	1708.10	-0.2	5.91	2.23	20.48	15.75	1711.00	1715.69	1727.33	1375.71
42	Chemicals (23)	1267.78	-0.7	11.09	5.23	10.55	31.87	1276.77	1267.90	1277.12	1266.56
43	Conglomerates (15)	1602.46	-0.5	10.70	6.22	11.20	31.95	1610.52	1623.26	1654.37	1669.60
44	Transport (13)	2296.51	+0.4	10.70	4.51	11.87	49.33	2286.98	2278.57	2287.80	2473.88
46	Telephone Networks(2)	1240.82	+0.2	10.81	4.54	12.03	3.78	1237.76	1246.03	1254.99	1075.13
47	Water(10)	1951.28	+0.1	16.44	6.94	6.80	0.00	1949.82	1955.03	1972.82	0.00
48	Miscellaneous (26)	1806.96	......	12.11	4.96	9.42	38.44	1807.28	1806.96	1816.16	1741.00
49	INDUSTRIAL GROUP (480)	1168.28	-0.2	10.81	4.58	11.29	21.41	1170.86	1169.17	1182.43	1167.82
51	Oil & Gas (20)	2293.82	......	12.82	5.38	10.23	46.50	2294.60	2283.85	2298.27	2107.71
59	500 SHARE INDEX (500)	1262.84	-0.2	11.09	4.69	11.13	23.49	1265.30	1262.91	1276.36	1247.56
61	FINANCIAL GROUP (108)	803.27	+0.2	-	5.70	-	21.27	802.06	797.20	800.97	747.76
62	Banks (9)	858.48	+0.9	19.08	6.29	6.86	25.62	850.53	837.00	830.01	743.80
65	Insurance (Life) (7)	1450.53	......	-	5.06	-	36.94	1449.90	1446.46	1476.46	1104.26
66	Insurance (Composite) (6)	682.86	-1.1	-	6.06	-	19.43	690.32	691.96	701.18	577.93
67	Insurance (Brokers) (8)	986.88	-0.3	8.73	6.52	15.10	31.64	989.53	987.99	1008.38	955.17
68	Merchant Banks (7)	434.91	-0.2	-	4.66	-	10.76	435.69	437.98	439.43	335.80
69	Property (47)	1103.98	+0.1	7.98	4.27	16.04	19.57	1102.82	1104.19	1114.71	1338.41
70	Other Financial (24)	289.25	-0.6	10.68	6.76	12.16	8.66	290.96	289.12	291.26	363.22
71	Investment Trusts (67)	1214.40	-0.2	-	3.21	-	17.97	1217.40	1206.86	1215.91	1166.22
91	Overseas Traders (5)	1429.57	-1.1	9.85	6.39	12.12	44.49	1445.36	1459.88	1467.74	1345.08
99	ALL-SHARE INDEX (680)	1152.34	-0.2	-	4.80	-	22.74	1154.10	1151.07	1162.19	1125.18

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Year ago
FT-SE 100 SHARE INDEX‡	2337.5	-2.5	2345.5	2337.0	2340.0	2331.4	2355.5	2371.7	2372.0	2189.1

FIXED INTEREST

	PRICE INDICES	Mon Jul 9	Day's change %	Fri Jul 6	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.44	-0.01	115.44	-	6.53
2	5-15 years	120.74	-0.14	120.91	-	6.91
3	Over 15 years	123.72	-0.23	124.00	-	6.15
4	Irredeemables	140.79	-0.17	141.02	-	7.35
5	All stocks	121.01	-0.11	121.14	-	6.79
	Index-Linked					
6	Up to 5 years	146.54	-0.07	146.65	-	1.49
7	Over 5 years	137.04	-0.20	137.31	-	2.03
8	All stocks	137.64	-0.19	137.90	-	1.99
9	Debentures & Loans	100.67	+0.27	100.51	0.11	6.22
10	Preference	74.85	+0.27	74.76	0.12	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 9	Fri Jul 6	Year ago (approx.)
	British Government				
1	Low	5 years	10.91	10.88	10.00
2	Coupons	15 years	10.90	10.87	9.38
3		25 years	10.90	10.87	9.22
4	Medium	5 years	12.27	12.25	10.77
5	Coupons	15 years	11.43	11.39	9.84
6		25 years	11.06	11.03	9.42
7	High	5 years	12.36	12.34	10.89
8	Coupons	15 years	11.66	11.63	10.06
9		25 years	11.28	11.25	9.62
10	Irredeemables†		10.92	10.89	9.25
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	5.43	5.39	3.62
12	Inflation rate 5%	Over 5 yrs	4.28	4.27	3.65
13	Inflation rate 10%	Up to 5 yrs	4.37	4.33	2.87
14	Inflation rate 10%	Over 5 yrs	4.11	4.09	3.48
15	Debs &	5 years	13.68	13.87	12.05
16	Loans	15 years	12.82	12.79	11.70
17		25 years	12.54	12.54	11.35
18	Preference†		12.64	12.65	10.30

‡Opening index 2337.0; 9 am 2344.8; 10 am 2341.0; 11 am 2340.1; Noon 2337.7; 1 pm 2338.1; 2 pm 2337.9; 3 pm 2338.2; 4 pm 2339.0; 4.10 pm 2338.2; (a) 4.09am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	76	21
Corporations, Dominion and Foreign Bonds	0	9	14
Industrials	298	360	918
Financial and Properties	142	131	465
Oils	20	26	42
Plantations	0	1	9
Mines	28	47	90
Others	33	71	135
Totals	523	721	1,694

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings July 2
- Last Dealings July 13
- Last Declarations Oct. 4
- For settlement Oct. 15

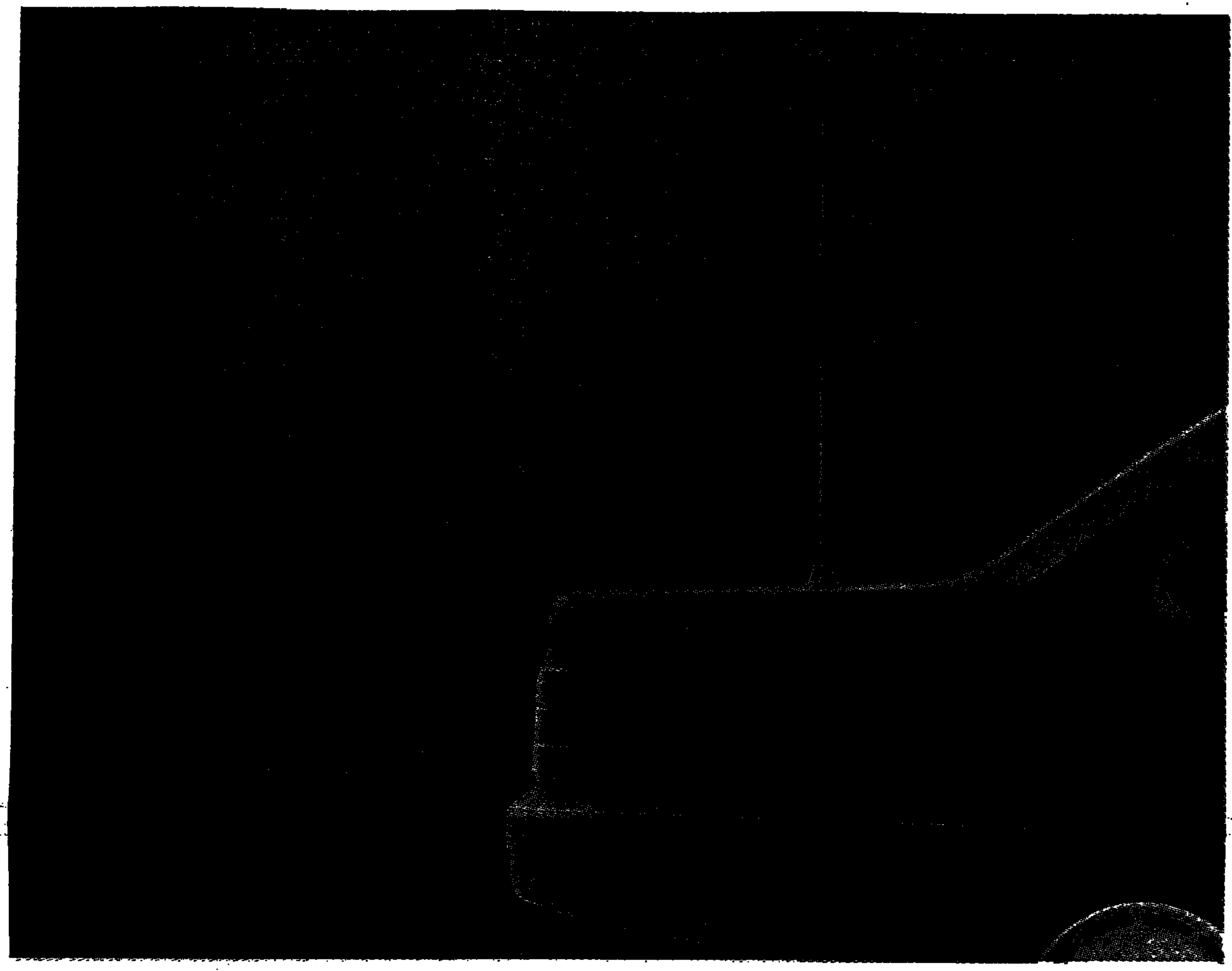
For rate indications see end of London Share Service

Calls in Aviva Pet., Budgens, Burton, Gaelic Res., Monument Oil & Gas and Tuskar Res.

LONDON TRADED OPTIONS

[illegible]

SIEMENS



A19100-N2-Z191-V1-7600 MC&D

Experience in telecommunications – the key for getting things moving in mobile telephony.

Building a digital mobile telephone network is a task which breaks down national barriers. Not only in the geographical sense – because European standards must be complied with – but in the technical sense too. As it involves breaking new ground in technology, huge investments are required, leaving no scope for trial and error.

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UK COMPANY NEWS

Acquisitions help profits move ahead of the May forecast

Ellis & Everard up 31% to £15.4m

By Vanessa Houlder

ELLIS & Everard, the chemicals distributor, yesterday announced a 31 per cent increase, from £11.77m to £15.41m, in pre-tax profits for the year to April 30.

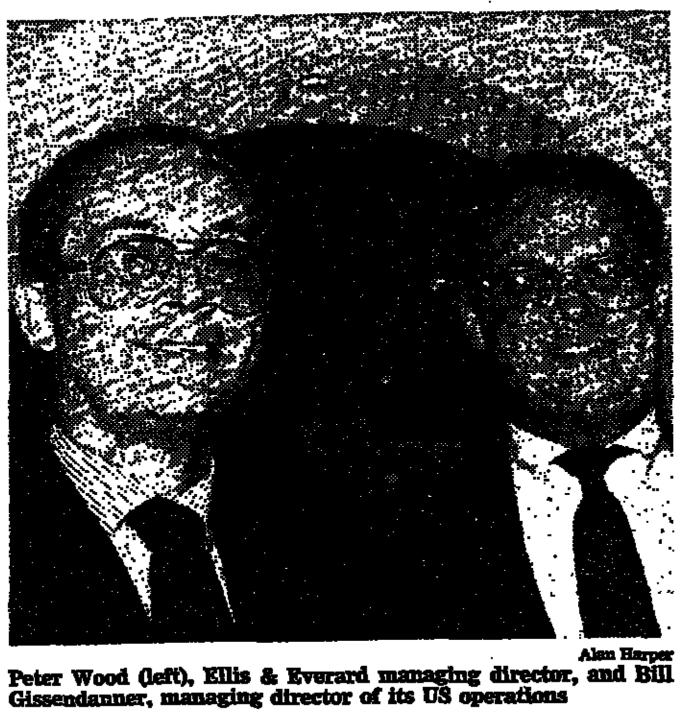
The result, slightly ahead of the forecast that accompanied May's £29m rights issue, was scored on turnover ahead 36 per cent to £291.91m (£214.94m).

Acquisitions were responsible for a 21 per cent growth in sales and a 24 per cent growth in profit.

Operating margins were held at 6.5 per cent. Mr Mike Marshall, chairman, said that the group expected to maintain its operating margins although it was finding some pressure on margins in the US.

In the UK, solid growth from Ellis & Everard Chemicals, the commodity distribution business, was offset by pressure on some of its small specialist businesses such as its anti-freeze company, which suffered from the mild winter.

In the US, sales increased by 50 per cent to $224.4m (£124m) with a 73 per cent rise to $11.8m in operating profits before group charges. The company said it had "excellent" results at Manley-Regan and AICC, a good recovery at Apperson and a successful integration of Suffolk-Gowen into Prillaman.



Alan Harper

Peter Wood (left), Ellis & Everard managing director, and Bill Gissendanner, managing director of its US operations

Capital expenditure was £5.7m during the year. Net debt was £13m and gearing, after the rights issue, was 12 per cent.

Mr Mike Marshall, chairman, said that although the company had the capacity to make acquisitions the emphasis was likely to be organic growth. It was, however, continuing to look at opportunities in Europe, where prices were becoming more sensible, after a period when "too many were chasing too few and being prepared to pay too much", he said.

Earnings per share rose 10 per cent from 17p to 18.7p. A declared final dividend of 4.8p makes a total of 7p, a rise of 11 per cent.

● COMMENT

These results – just two months after Ellis & Everard's cash call and profit forecast – held few surprises. Nonetheless the company's continued confidence about trading prospects pleased its followers. There are steady benefits from its acquisition programme and the robust organic growth seems to bear out the theory that economic difficulties make customers opt for small, frequent deliveries rather than bulk buys from manufacturers. Overall profits of £22m seem likely this year although variations in exchange rates may make some impact on the translated profits of it US operations, which will account for more than half its sales. The share price, which has clawed back most of the losses that accompanied news of the rights issue, was unchanged yesterday at 191p, putting the shares on an undemanding p/e of 10.

Leucadia renews battle to control Molins

By Andrew Hill

LEUCADIA NATIONAL Corporation has renewed the battle for control of Molins, by requisitioning a special meeting for shareholders of the cigarette machinery manufacturer.

The US manufacturing and financial services group, which narrowly failed in its attempt to take over the company at the end of May, said Molins had rejected proposals put forward at a meeting between the two companies.

Leucadia had already threatened to vote new directors on to the board if its hostile bid failed.

Leucadia owns 46.6 per cent of the UK company and can go on acquiring 2 per cent a year until it gains a control. It has already increased its stake by about 1.5 per cent since the bid lapsed.

Molins claimed last night that Leucadia's proposals had proved impossible to accept. According to Molins, the US group had agreed to consider the possibility of a recommended offer, on condition that it could have full access to Molins' financial and commercial information. But Leucadia had refused to give undertakings about what might happen if it did not come up with a recommended bid.

Leucadia now wants to appoint six new directors to the Molins board and remove the three existing non-executive directors.

"For the first time for many years the board would include directors with a financial interest in Molins other than principally as employees," said a Leucadia statement yesterday.

Leucadia owes its strong position partly to the efforts of other unsuccessful bidders for Molins. It launched its offer in March from the platform of a 33 per cent stake bought from IEP Securities, Sir Ron Brierley's investment vehicle. IEP failed to takeover Molins last September, two years after another Brierley vehicle, Tozer Kemsley and Millbourn, also fell short of victory.

M&G Group, which owns 18.6 per cent of Molins, rejected all three hostile bids. Molins shares were unchanged at 279p yesterday, 4p more than Leucadia's final offer.

Reliance Security advances by 31% to £2.71m

RELIANCE Security Group lifted pre-tax profits by 31 per cent to £2.71m in the 55 weeks to April 27, up from £2.07m in the previous year.

The results, which included a five-month contribution from Opensquare, acquired last December, were achieved on turnover ahead from £34.16m to £45.96m.

Mr Brian Kingham, chairman, said: "In spite of uncertainties in the economy we anticipate that the security market will continue to grow.

The group will benefit from its national coverage of offices and its share of the growing market."

Reliance, which had previously concentrated on providing manned security services, estimates that some 80 per cent of customers combined its services with electronic surveillance.

The group's recent acquisitions of Dominion Security Systems and Grant & Taylor marked the first step in developing its Reliance Electronics business in the fields of closed-circuit television, access control and installation and maintenance of alarm systems.

The business "promises attractiveeconomic benefits for our customers and new dimension in the quality of our contract income," Mr Kingham said.

Earnings improved to 17.2p (12.9p) per 5p share and the proposed final dividend is raised to 5.2p for a total of 7p (5.75p).

Scottish Heritable warning on profits

By Maggie Urry

SCOTTISH HERITABLE Trust, the property, housebuilding and industrial group, issued a profit warning yesterday and saw its shares fall by over a fifth, down 22p at 83p. The group said that profits for the current year, to end December, "are likely to show a reduction from those of 1989".

It said this was "due to the very low level of activity in the UK commerical property market and current weakness of the UK and US housing markets." The company will publish interim results next month.

In March the group revealed a fall in profits in 1989 from £12.7m pre-tax to £10.1m. James Capel, the broker, had cut its current year forecast, to £6m, last week and this seems to have precipitated the company's statement.

Mr Robin Garland, chief executive refused to comment further on the announcement. However, the group appears to be the latest in a stream of property and housing groups to have issued profit warnings.

Analysts suggested the company had been hurt by the lack of activity in the property market, as it trades properties through its St James Development Trust. Also Scottish Heritable is likely to have suffered in line with other housebuilders which have seen sharp falls in sales related to high levels of interest rates. US housebuilding has also had a difficult period.

Gardner sells final Constance Spry arm

DC Gardner Group has now completed the sale of the remaining trading businesses acquired with the CSCB Group, formerly the Constance Spry Cordon Bleu Group.

It has sold the assets of the flower arranging and floristry school business of Constance Spry to Kamilla of Farnham, Surrey for £200,000. The finishing school business at Winkfield Place will cease at the end of July. The property, which includes a Grade II mansion and 22 acres of grounds, will be offered for sale.

Gardner also announced it has acquired the remaining 74 per cent shareholding in its ATC Chart (Cambridge) associate for £550,000, of which £380,000 is payable in cash on completion. The balance is to be satisfied by the issue of 138,121 new Gardner ordinary.

Hanson sells loss-making Baltimore Spice to Fuchs

By David Owen

HANSON, the UK-based conglomerate, has sold its loss-making Baltimore Spice business to an affiliate of Fuchs Gewuerze, Europe's second-largest spice and seasoning manufacturer and retailer, for $23.9m (£13.2m) in cash.

The group will, however, retain the Old Bay Seasonings operation. Old Bay, a premier consumer brand in seafood seasonings, will continue to be manufactured for Hanson by Baltimore Spice.

The group said it believed that the transaction was in its shareholders' best interests and would benefit Baltimore Spice by attaching it to an organisation with more extensive interests in seasonings.

"We are confident that Fuchs' leadership position in the spice business in Europe will help create a bright future for Baltimore Spice," said Sir Gordon White, Hanson Industries chairman.

In the year to September 30 1989, Baltimore Spice – which has plants in Maryland, North Dakota and Nevada and was established in 1939 – recorded an operating loss of some $1m (£553,000) on sales of $53m. Net asset value is approximately equal to the purchase price.

Hanson acquired the business in 1986 as part of its $930m acquisition of SCM. Proceeds from sales of SCM assets have now reached $1.6bn, the company said.

Fuchs' plants are at present concentrated in Europe and South America.

Double bonus for ex-BAA chief

By Andrew Hill

MR JEREMY MARSHALL, now chief executive of De La Rue, has received more than £157,000 since joining the banknote printer last November, to add to the golden handshake he received on leaving BAA.

Mr Marshall resigned as chief executive of the former British Airports Authority last year and received £221,000 in compensation.

De La Rue's annual report for 1989-90 reveals that he earned a further £157,000 in his first five months at the printing company. The payment consisted of his salary for that period, but included an unspecified "golden hello" – a bonus for joining the group.

Since November, Mr Marshall has been charged with improving the printing group's performance. De La Rue recently announced a drastic restructuring programme involving the sale or closure of all its troubled high-technology subsidiaries.

De La Rue's chairman, Mr Peter Orchard, saw a substantial rise in his salary last year – from £44,000 to £119,000. However, that was mainly because he took on the job of chief executive when ill health forced Mr Brian Malpass to give up his duties.

Mr Malpass eventually resigned as chief executive last June. Mr Orchard's salary is likely to return to near its previous level in 1990-91.

Jeremy Marshall: the payment included a "golden hello"

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Gardiner, Siam Smaller Co's Fund.
Finals- Braithwaite, Christie, Empire Stores, Equity Consort Inv Trust, Evans of Leeds, Fleming Overseas Inv Trust, Gibbon Lyons, Howden, Kingsgrange, Porter Chadburn, Scantronic, Sims Foods.

FUTURE DATES

Interims-	
Trust of Property Shares	July 20
Williams (J) Inds	July 11
Yelverton Invs	July 11
Finals-	
Excalibur	July 16
Firth (GM)	July 16
JLI	July 12
Tops Estates	July 17

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barr (AG)	int	3.25	Aug 14	3.25	-	13
Co of Designers§	int	0.25†	Aug 2	1.25	-	3.5
Creighton's Nat	fin	4	Sept 14	4	5.6	5.6
Ellis & Everard	fin	4.8†	-	4.3	7	6.3
Hey & Croft §	int	nil	-	1	-	2.8125
London Sec	fin	1	Nov 1	1	1.5	1
Low & Bonar	int	2.7	Oct 1	2.4	-	8.25
Menzies(John)	fin	5.75	Oct 31	2	9	8♣
Mosaic Invest	fin	4.25	-	3.5	7.25	5.5
Reliance Sec §	fin	5.2†	Oct 2	4.25	7	5.75
Turnbull Scott	fin	4.5†	Aug 15	3.85	9	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣ For 15 months period.

UK COMPANY NEWS

Low & Bonar recovers to £12.3m in tough market

By Clare Pearson

PRE-TAX profits of Low & Bonar, the Dundee-based packaging, plastics and textiles group, recovered in the first half to end-May, after a static showing in the previous financial year.

The company increased profits by 17 per cent to £12.3m (£10.5m), scored on turnover up just £5m to £161m, though Low & Bonar said lower prices of polymer materials had masked rises in sales volumes.

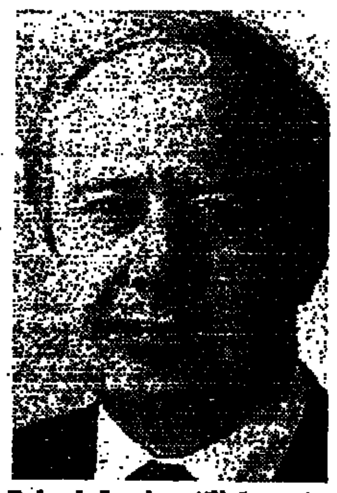
Mr Roland Jarvis, chief executive, said the profits increase was achieved "despite tough market conditions in the UK and North America . . . reflecting both tighter operational control and a continuing strong investment programme."

Continental Europe was the strongest area, achieving 25 per cent organic growth to £35.3m in sales and a 44 per cent rise to £3.7m in profits.

A strong improvement in the UK business lifted the dominant packaging division's contribution to total pre-interest profits of £13.03m (£11.61m) to 62.6 per cent, roughly its share of total turnover.

Low & Bonar said this included a good performance from flexible packaging interests, which the company merged in January into a joint venture with Constantia Group of Austria. There was some increase in profitability in the US business although Canada showed little improvement.

Plastics, by contrast, made a lower contribution to pre-interest profits of 15 per cent (24.7 per cent) of the total on roughly unchanged turnover. This was as the UK moved into loss due to start-up costs at a new rotational mouldings facility.



Roland Jarvis: still keen to expand in continental Europe

Specialist textiles improved modestly in spite of tough conditions in markets such as UK floorcoverings. But Bonar & Flotex, a heavy-duty floor coverings business, performed well and increased exports.

Low & Bonar also announced it was withdrawing from distribution activities by selling Plastic Products to management for £768,000; it is also realising £1.3m through the sale of its textile merchanting division.

Meanwhile it has purchased Franca Rotomoulage, a French rotational moulding company, for a maximum FFr9m (£900,000) of which FFr8m was payable on completion and the balance over the next four years on an earn-out basis.

Mr Jarvis said the company remained keen to expand in continental Europe, which it first entered four years ago. Group gearing is currently about 15.9 per cent.

Earnings per share were up 15 per cent to 9.66p (8.39p). The interim dividend is increased by 12.5 per cent to 2.7p (2.4p).

● COMMENT

There were two schools of thought yesterday about these figures from Low & Bonar – a company with a rather sedate reputation which has, it must be said, declared it was on the growth track a number of times before. Some decided that, in spite difficult markets, perhaps the payback from the money and effort it had earlier put into various investments was finally partially working through; they dared to edge up their full-year profits forecasts by about £1m to £26m or so. But others, more mindful of a previous false dawn at the interim stage back in 1988, and still bothered about the outlook for various products such as Flotex in the current economic environment, refused to be impressed. Assuming it achieves £25m pre-tax this year, the shares stand on a prospective p/e of under 10: perhaps worth having if you take the optimist's view.

Alan Paul rises 69% in first USM year

IN ITS first year on the USM, Alan Paul, which runs the Alan Paul Hairdressing salon network and the string of The Body & Face Place outlets, achieved a 69 per cent increase in pre-tax profits from £742,000 to £1.25m.

In the 12 months to March 31, turnover expanded 65 per cent to £7.97m (£4.83m). The cost of sales rose to £4.03m (£2.5m) and administrative expenses jumped £900,000 to £2.2m, leaving operating profit at £1.68m (£989,000). Earnings per share worked through at 10.1p (9.5p) basic and 9.7p (8.3p) fully diluted.

There is no final dividend, but a second interim of 2.1p for the year under review has already been paid. This made a total for the year of 3p and represented a 20 per cent increase over the notional dividend payable had the ordinary shares been quoted the previous year.

Since the year-end the group has acquired Essanelle Holdings for a maximum £8.45m. Essanelle operates and manages a chain of 253 hair and beauty outlets, mainly in department stores in the UK and West Germany, with further salons in Belgium and Switzerland.

In the year The Body & Face Place increased the number of its outlets from 52 to 69 and there are now nine Blue Berry's coffee shops in operation.

Beaverco sale

Beaverco, the USM-quoted specialist foam and consumer products maker, has sold Sari Fabrics and Karobes to Betterware Consumer Products for a maximum consideration of £800,000 cash.

Mecca raises £15m from sale of Maxims

By David Owen

ONE OF the best-known names in the ailing London casino business changed hands yesterday with the sale of Lydiashourne, the Mecca Leisure Group subsidiary which operates Maxims Casino Club, to a group of private UK investors for £15m cash.

Mecca, which last month surprised the City by recommending a hostile £544m takeover bid from Rank Organisation, a rival leisure group, has been trying for some months to dispose of its London casinos as part of a programme to reduce debt.

Net group borrowings now total £472m, representing gearing of close to 150 per cent.

The Maxims deal means that Mecca's negotiations with the management of its casino division for a buy-out of the group's remaining casino outlets have been reformulated on the basis of three premises rather than four, the group said.

Earlier this year, the company sold the Clermont Club to the Bally Corporation of the US for £30m in a transaction which is still awaiting Gaming Board approval. Its other London casinos are The Victoria, The Connoisseur and The Gloucester.

Under the terms of the transaction, £12m will be payable on completion, with the balance of £3m due on December 31.

Maxims contributed net profit of £700,000 in 1989 and had a net book value £26.3m at the end of the period.

According to Mr Ian Baker, Mecca property director, Maxims contribution in previous years had been "considerably higher". He added: "The top end of the London casino market is the most volatile."

The investor group includes Mr Andrew Love, a former director of other companies in the casino industry.

Rank's offer still faces the possibility of a Monopolies and Mergers Commission inquiry into the effect on competition in the UK bingo market.

●Moody's investors service is considering downgrading its A2 rating of Rank America's $300m of senior serial notes due 1995-2006 as a result of Rank Organisation's bid for Mecca

Security buys lift Turnbull Scott by 62%

Thanks partly to two acquisitions in its security division, Turnbull Scott Holdings lifted pre-tax profits 62 per cent from £1.73m to £2.8m in the year to March 31.

The group, involved in security, engineering, shipping and property, achieved the increase on turnover up 73 per cent to £32.65m (£18.92m). After tax of £1.4m (£872,000), earnings rose to 29.9p (19.1p) per share and the recommended final dividend is 4.5p (3.85p) lifting the total to 9p (6p).

The acquisition last July of Lydney Containers, which makes steel security containers and storage boxes, and in August of Sitex Security Products, which distributes and installs security doors and windows to secure vacant properties, lifted the security division's contribution to group profits to 76 per cent before head office costs.

Mr Graham Turnbull, chairman, said shipping had contributed satisfactorily throughout the year with demand for the Stainless Spray remaining good.

Outside manager for Bremner

By James Buxton

A COURT-APPOINTED outside manager is expected to preside at the extraordinary general meeting of Bremner, the former Glasgow store owner, which is set for July 20.

The company is currently without a board of directors following an EGM on June 29 and its shares have been suspended by the Stock Exchange.

At the last meeting, Mr James Rowland-Jones, the then chairman, and the other directors were voted out of office. But resolutions to replace them with four directors from the Scottish financial community were ruled incompetent by Mr David Bennet, the court-appointed independent chairman, because they had not submitted signed acceptances.

Resolutions to elect the four directors will be put to the meeting in Glasgow on July 20. The men, led by Mr David Low of the Edinburgh stockbroker Torrie & Co, say they want to end in-fighting in the company and to use its £5.5m cash to buy a business with a proven track record.

Last week the Court of Session in Edinburgh appointed Mr Robert Graham of accountants Coopers & Lybrand Deloitte as judicial factor – the equivalent of an administrator – to be responsible for the company in the absence of a board. Mr Rowland-Jones and Mr Jim Rees, another former director, unsuccessfully opposed the move.

Co of Designers profits slump

By Clare Pearson

THE TALE of woe at Company of Designers, the USM-quoted design consultancy, continued yesterday when it said it was cutting its dividend by 1p to 0.25p as pre-tax profits plummeted from £823,000 to £304,000 in the six months to end-March.

When in January it announced full-year profits more than halved at £1.05m, attributed to disruption arising from computer failures, the company maintained its full-year dividend. It said this reflected the directors' confidence in the future and in the company's underlying progress.

Company of Designers described yesterday's results as "clearly disappointing". "It is anticipated that further costs associated with the additional steps being taken to reduce overheads and increase efficiency will be borne in the second half of the year" it added.

The pre-tax line was struck after higher interest costs of £365,000 (£111,000) and after charging costs arising from reorganisation of the group. In addition, it said, some businesses in the west of England had been affected by more difficult trading conditions.

Work done during the period increased from £7.92m to £8.78m. The company pointed out that its wide spread of work had ensured that the workload, current and prospective, was good.

Earnings per share fell to 0.6p (3.3p). The shares were unchanged at 43p.

COMPANY NEWS IN BRIEF

CORTON BEACH: chairman told shareholders at annual meeting that each of the divisions had operated profitably in the first four months of the year. Turnover was ahead by more than 40 per cent compared with the corresponding period.

HADEN MACLELLAN Holdings is acquiring Nationwide Environmental Services for a maximum of approximately £3.1m, comprising an initial consideration of £2.8m in shares and a deferred performance-related payment of up to £300,000.

R&H HALL: By July 6 acceptances received in respect of IAWS' offer was 16.75m shares (78.06 per cent). IAWS currently owns 17.77m Hall ordinary (82.81 per cent). The third closing date for acceptance has been set for July 27.

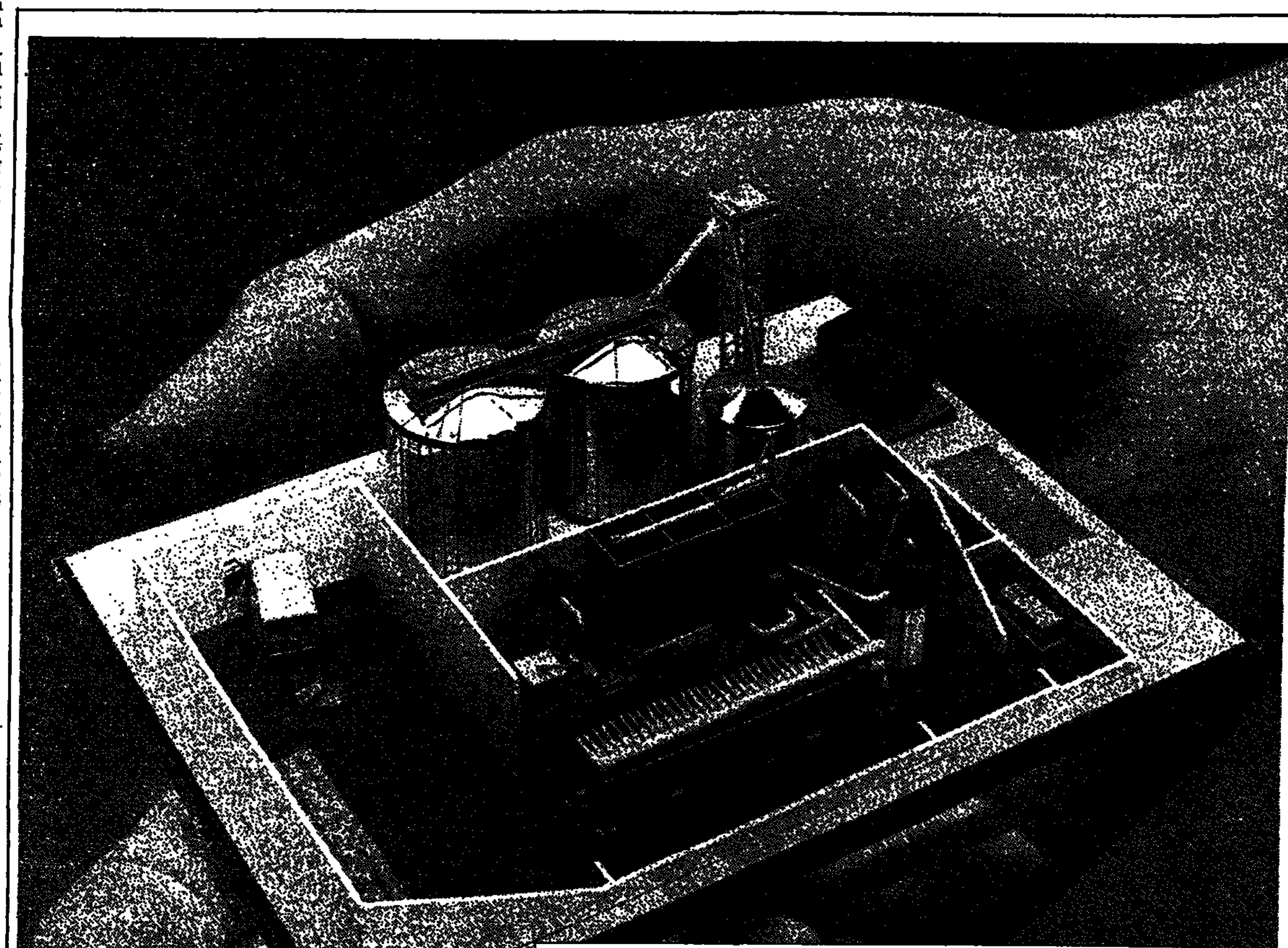
HOGG GROUP has acquired for a nominal consideration 51 per cent of the newly-formed specialist London Insurance brokers Downes and Burke (Special Risks). The agreement provides for the purchase by Hogg in 1993 of a further 24 per cent of D and B for a consideration payable in two instalments in 1993 and 1995. The budget prepared by the principal vendors, G Burke and G Downes anticipates pre-tax profits for the year to December 31 1990 of £259,000.

LYNX HOLDINGS announced that conditional agreement had been reached for the acquisition of GTC Maintenance, Sheffield-based computer services company, for £500,000.

READYMIX has acquired certain of the assets of the concrete pire manufacturing division of Spollen Concrete. The asserts include land and buildings, plant and equipment and stocks of finished goods, valued at £2.25m In addition, an immediate investment in working capital will bring the total investment to approximately £3m.

STEEL BURRILL Jones has acquired a controlling interest in Martin Perry Associates, Reading-based actuarial and employee benefits consultants, for £52,000.

WESTMINSTER SCAFFOLDING's Arnall Structures subsidiary has acquired Atlas Scaffolding, based in Sussex, for £500,000. The consideration has been satisfied by the payment of £250,000 cash and thge issue of 250,000 unquoted 8 per cent redeemable preference shares. The vendors may exchange such shares for ordinary shares of Westminster at the rate of five Arnall shares for four shares of Westminster or require the purchase of such shares for cash at £1 a share.



UK COMPANY NEWS

John Menzies dented by setback in US venture

By Andrew Hill

JOHN MENZIES' retailing operations performed well last year in spite of depressed consumer demand in the High Street, Mr John Menzies said yesterday.

Mr Menzies, chairman of the Edinburgh-based wholesaler and retailer, said the group's 280 High Street stores and bookstalls had an advantage over other stores in that they sold low-priced items for cash. He added that all branches would be equipped with electronic point-of-sale (Epos) equipment by October.

John Menzies' 1989-90 pre-tax profits of £29.1m were dented by a £15.2m extraordinary charge, principally the estimated cost of restructuring the group's Early Learning Centres in the US. The US chain is earmarked for sale, while the British outlets, also owned by Menzies, continued to grow.

The group, which also owns Hammicks bookshops and a range of distribution and wholesale businesses, had gearing of 11 per cent at the end of April 1990, and Mr Menzies said he was optimistic about results for the new year.

"Growth in our various businesses should more than compensate for cost rises and high interest rates," he added.

John Menzies: group performed well in spite of depressed consumer demand

● COMMENT

Early Learning Centres are at the two ends of the Menzies spectrum: successful and expanding in the UK; loss-making and contracting in the US. The mess across the Atlantic has somewhat overshadowed the performance of the Edinburgh group's other divisions, which seem to be bearing up relatively well in the poor retail climate. But it is difficult to tell for sure, because Menzies refuses to break down its profits and turnover, to the irritation of analysts. That irritation obviously didn't filter through to the market yesterday, when Menzies' shares leapt 15p to 354p, buoyed up by a surprising 40 per cent jump in the annualised dividend.

The stock is now on a prospective multiple of more than 10, assuming pre-tax profits of about £32m in the current year. But on the evidence of Menzies' forays away from the mature newspaper wholesaling business the shares look, at best, a very dull hold.

Mosaic at £4.8m and still seeking acquisitions

MOSAIC Investments, the acquisitive industrial holding company, doubled pre-tax profits for the year to April 30 with an increase from £2.43m to £4.84m on turnover ahead 71 per cent from £15.54m to £26.59m.

Some 52 per cent of turnover came from industrial products with the remainder from consumer services and products. The split was reversed for operating profit of £4.87m.

Mr Brian Disbury, chairman and chief executive, said the increase was a result of both organic growth and the six acquisitions made during the year.

Turnover, on a pro-forma basis including a full year's contribution from the six acquisitions would have been almost £37m, a 60 per cent increase on the figure of £23m a year ago. Of the total, 10 per cent was derived from direct exports, compared with 6 per cent in 1989.

Mr Disbury said as well as organic growth Mosaic was continuing its programme of looking for companies with a proven track record.

Net assets at the year end amounted to £16.8m with gearing at that date only 12 per cent. He concluded that although it was early in the current year and the difficult trading environment continued in the UK, he believed that Mosaic was well positioned to pursue its objective of pursuing above average earnings per share and dividend growth.

Earnings per share were 29.1p (21.6p) and the dividend is increased from a total of 5.5p to 7.25p with a recommended final of 4.25p. Tax took £1.68m compared with £869,000.

BAT share register reduction

By Maggie Urry

Since the demerger of Wiggins Teape Appleton last month, BAT Industries's share register has been reduced by 25,000.

The group operated a special sale and purchase facility for holders with small blocks of shares. The facility allowed dealings free of commission for the first four weeks after the June 1 demerger.

One third of the 84,255 shareholders with holdings of less than 500 shares, who were entitled to use the special sale facility, have sold their shares, selling a total of 6.6m shares. The average price was 209p and the average number of shares sold was 224.

Holders with fewer than 2,400 shares were able to buy shares to take their holdings up to 2,500 shares. 5,126 investors took advantage of this, buying 4.1m shares between them at an average price of 213p. The shares closed yesterday at 207p, up 1p.

Following the demerger, the 21.7m shares to which American Depositary Receipt holders were entitled were sold on their behalf and the shares placed.

Savage DIY agreement

Savage Group has entered into an exclusive agreement with 3m to distribute its range of Scotch DIY products through its Douglas Kane UK subsidiary.

NEWS DIGEST

Barr pops up with £1.48m

IN SPITE of virtually static turnover, AG Barr, the Glasgow-based soft drinks manufacturer, lifted pre-tax profits by £1.03m to £1.48m in the six months to April 28.

The company said that the increased profit reflected its growth in the more profitable branded market. Barr is best known for its Irn-Bru, St Clements and Tizer brands.

Turnover was ahead by £530,000 at £38.72m, leaving trading profit at £2.26m (£1.47m). The charge for net interest and dividend received was down at £780,000 (£921,000).

Tax took £467,000 (£114,000) and there was an extraordinary debit of £67,000 (nil) relating to the initial costs of restructuring production and distribution in England.

Earnings leapt to 15.96p (5.32p) per share. The interim dividend is maintained at 3.25p.

Barr said that sales during May had given a good start to the summer but that June had been disappointing, particularly in comparison with last year.

London Securities advances 33%

A 33 per cent expansion in full year profits was yesterday reported by London Securities, the property investment and development group.

The increase – from £6.29m to £8.27m – was struck after rents receivable doubled at £1.45m (£703,000), direct property costs of £360,000 (£43,000) and administration of £1.16m (£878,000). The surplus on asset disposals expanded some 48 per cent from £5.57m to £8.48m.

Earnings per 15p share worked through at 7.5p (7.1p) and the final dividend is again 1p for a total of 1.5p (1p).

Hey & Croft in red with £770,000 loss

Hey & Croft Group, the USM-quoted housebuilder based in East Anglia, yesterday unveiled a taxable deficit of £770,000 for the six months to April 30 – against profits of £398,000 in the corresponding period last time and £1.01m in its last full year.

Mr Leonard Hey, chairman, said the housing market was going through a "particularly difficult time". To protect cash flow the group had trimmed margins by a package of measures including the implementation of further incentive schemes and a 50 per cent reduction in staffing levels.

Production activity had been geared to reservation levels, he added, minimising funds invested in work in progress. However, first time homes were still selling, albeit slowly, justifying, he said, the decision to concentrate resources in that area.

Turnover amounted to £5.13m (£9.25m) resulting in a modest operating profit of £94,000 (£1.17m). Interest charges took £864,000 against £774,000 last time.

Losses per share emerged at 4.16p (earnings of 1.96p), and the interim dividend is passed (1p).

New management team at Chemex

A new management team is set to take control at Chemex International, the environmental analysis group traded on the Third Market.

Mr Brian Webbe is set to become chairman, while Mr Brian Masterson, deputy chairman of Caird Group, and Mr Colin Ulyatt, formerly a director of British Shipbuilders, will be appointed to the board.

The group, founded by Dr Harry Bradbury, who remains as chief executive, plans to issue 12.5m shares at 6p. Deangate Investments, beneficially owned by Mr Webbe's family, has undertaken to subscribe for the entire issue.

Existing shareholders will be offered the right to subscribe for up to 2.38m of the new shares on a one-for-three basis.

If all the new shares are issued to Deangate it would control some 63.64 per cent of the enlarged Chemex capital. If shareholders take up all their rights then Deangate's holding would drop to about 51 per cent.

The Takeover Panel has waived the obligation for Deangate to make a cash offer to all shareholders.

Expedier to form golfing joint venture

Expedier has created a joint venture company with Tony Jacklin to provide player management and to create academies of golf.

Tony Jacklin will become non-executive chairman of the company which will be managed by Alan McColm, Tony Jacklin's manager, who will in turn seek to attract well-known sporting personalities to the Expedier stable.

The company manages Denis Taylor, the snooker star, David Vine, the sporting commentator, and Jonathan Davis and Martin Offiah in Rugby League.

Expedier has also purchased the prestigious Wang Four Stars golfing event and has bought certain assets and goodwill of Interaction Associates Holdings (Interactior), one of the UK's leading sponsorship and project management specialists.

The Four Stars event was acquired from private hands for a nominal sum and Expedier will assume liabilities of £500,000.

Mr Conor O'Brien, chief executive of USM-quoted Expedier, said the three developments had been achieved without major cost but their impact on the business should be "enormous".

GEC acquisition gets go-ahead

Mr Nicholas Ridley, the Trade Secretary, has decided not to refer the acquisition by GEC of a group of Plessey companies to the Monopolies and Mergers Commission.

They are Plessey Semiconductors, ES Marine Systems Corporation, Plessey Research Caswell, Plessey Materials, Plessey Aerospace and Plessey Aeroprecision Corporation

He has also decided not to refer to the MMC the acquisition of Union de Transports Aeriens by Air France.

Westminster Scaff £0.5m acquisition

Westminster Scaffolding has, through its Arnall Structures subsidiary, extended its activities in the south of England by acquiring Sussex-based Atlas Scaffolding for £500,000.

The consideration comprises £250,000 cash and the issue of 250,000 unquoted 8 per cent redeemable preference shares.

The vendors have warranted that Atlas's pre-tax profits will not be less than £100,000 for the next 12 months.

COMMODITIES AND AGRICULTURE

Canadian smelter strike boosts LME zinc price

By Bernard Simon in Toronto

OPERATIONS AT Cominco's big lead and zinc smelter at Trail, British Columbia, came to a halt yesterday morning as 2,900 workers went on strike after a breakdown in wage negotiations.

The smelter produces almost 6 per cent of the western world's refined zinc and some 2.6 per cent of its lead. With physical supply of zinc already tight fears of a prolonged strike at Trail helped to boost the London Metal Exchange cash price by $32 to $1,779.50 a tonne. Lead prices rose initially but slipped back, and the cash quotation closed unchanged at £511 a tonne.

Cominco began shutting down operations at Trail last Friday in anticipation of a strike. A company official said yesterday that pickets were also denying management personnel entry to the plant.

Talks between Cominco and the United Steelworkers of America on a new labour contract broke off on Saturday after the union dismissed Cominco's latest offer, which called for annual wage increases of 7.3 per cent and 3.6 per cent over the life of a new two-year pact to replace the one which expired at the end of last month.

The union, citing higher wage rates for British Columbia forestry workers, and for unionised workers at Cominco's 50 per cent-owned Highland Valley copper mine, have demanded an immediate pay boost of at least 14 per cent. It also wants cost-of-living allowance payments to continue.

The company official said the union's demands would add about C$120m (£57.5m) to Trail's operating costs, making the operation uneconomic.

The tightness in lead and zinc markets is being exacerbated by another strike at Brunswick Mining & Smelting Corporation's big lead/zinc mine at Bathurst, New Brunswick, where about 1,100 unionised workers have been off the job since July 1.

The Trail smelter has also been dogged by technical problems in recent months, leading to a substantial fall in Cominco's metal output. A new lead smelter was shut down last March before reaching full capacity. It is not expected to be back in operation before the autumn and Trail has reverted to the old smelter for now.

Zinc output has been dented by projects to prepare the zinc smelter for the first shipments of material from Cominco's new Red Dog mine in Alaska, which are expected to arrive at Trail during August.

Peruvian miners have postponed until August a decision on whether to stage a new national strike, leaders of the Miners' Federation said on Saturday, reports Reuters from Lima.

Leaders of 82 of the federation's 115 member-unions agreed at a plenary congress to decide on a future strike at their next meeting on August 9 and 10.

Delegates said chances of a strike would depend on whether mining companies fulfilled the terms of a new law granting the federation the right to bargain sector-wide wages.

Mining firms strongly oppose sector-wide wages and have suggested they may take legal action against the new law.

Delegates said the strike would also depend on president-elect Alberto Fujimori's stand on the miners' demands after he takes office on July 28. The miners' main demand is for better salaries and benefits under the new wage law.

NZ Meat Board chairman sees progess on EC protectionism

By Tim Dickson in Brussels

MR DAVID Frith, chairman of the New Zealand Meat Producers Board, does not believe all he reads in the papers.

Meetings in the last few days have convinced him that policy-makers in the European Community are now waking up to the costs of protectionism, and that recent reports of deadlock in the Uruguay Round negotiations over international farm reform are probably too negative.

"In the three years that I have been coming here," he said yesterday in Brussels, "I have perceived a growing awareness on the part of consumers and people involved with consumers that agricultural subsidies not only increase the price of food but they endanger a country's whole international competitiveness.

"Three years ago I only heard the arguments of the producers – this time I have been hearing much more from the other side. Indeed, one very powerful producer lobbying organisation admitted to me that they recognise it is only a matter of time before the supports are further reduced."

Mr Frith, of course, has a strong vested interest in believing what he is told. New Zealand has now virtually abolished farm subsidies and is therefore more than ever reliant on an open trading system, access to overseas customers, and fair market prices for its agricultural commodities.

Meat is Wellington's biggest export earner. Around 360,000 tonnes of sheepmeat and 241,000 tonnes of beef were shipped last year to more than 90 countries at a value of around NZ$3bn (£100m).

Among the messages Mr Frith is hoping to convey is the impact which policy decisions in the EC and elsewhere can have on New Zealand producers. He points to the "positive" effect of the opening up of the Japanese beef market (for Pacific Rim countries) and says that EC success in curbing beef and grain surpluses has had a beneficial effect on returns from international trade.

"The implication for us is that the price we got for our beef in the Middle East used to be linked closely to the price of beef coming out of intervention stores in Europe," he observes. Subsidised EC grain sales, meanwhile, have helped New Zealand's competitors feed their cattle cheaply, thereby undercutting its producers.

Mr Frith, however, would not like anyone to think that recent improvements in international meat prices has inspired a boom back home. "It has made life bearable for our producers," he suggests.

The chairman of the Meat Board also denies that the agreement guaranteeing New Zealand access to the EC for 205,000 tonnes of sheepmeat a year – including a reduction in the import levy from 10 per cent to zero and a big increase in the amount of chilled lamb which can be brought into the EC – was generous.

"People say that we didn't use the 245,000 tonnes to which we previously agreed to limit ourselves and that bringing it down to 205,000 was no sacrifice. But this just shows that we put in what the market can stand. We are trading here in such a way that it is going to be a long term market. As for the higher limits on chilled lamb, that is what the consumer wants. We do not think the consumer takes kindly to being told by politicians what they should want."

Brazil sets higher target for raw sugar

THE BRAZILIAN Government has authorised production of 6.85m tonnes of raw sugar from the 1990-91 sugar-cane crop, up from 6.44m tonnes in the 1989-90 crop, reports Reuter from Rio de Janeiro.

Under the National Plan for the Sugar Cane Crop, the Secretary for Regional Development has authorised production of 12.585bn litres of sugar cane-based ethanol, down 4.86 per cent from the previous crop. The Government estimates consumption of alcohol at 13.65bn litres, leaving a deficit of 10 per cent.

Export quotas for sugar have not yet been authorised, but but an Economy Ministry official said last month that the government would authorise exports of 650,000 tonnes of sugar from the 1990-91 crop.

● European Community production of sugar from sugar-beet should reach 14.182m tonnes during the 1990-91 campaign, up 106,000 tonnes from 1989-90, the EC Commission has forecast.

It also said stocks of sugar in the 12-nation community on September 30, 1991 should be about unchanged from the 1.2m tonnes expected on the same date this year.

Total EC sugar production would reach about 14.5m tonnes (14.33m in 1989-90) if sugar from cane produced in Spain and the French overseas departments in the Antilles and Reunion and that contained in molasses was included.

It forecast EC consumption of sugar during 1990-91 would be 11m tonnes, compared with 10.88m for 1989-90.

During the first eight months of the 1989-90 campaign (October-May) consumption was running about 171,000 tonnes above the previous year, the commission said.

Increases were noted in West Germany, Spain and Italy while there was a slight decline in Britain.

Vanadium price cut announced

SOUTH AFRICA'S Highveld Steel and Vanadium Corporation has announced a cut in its vanadium pentoxide price to $3.35 a lb for the third quarter of 1990 from $4.20 in the second quarter, reports Reuter from Johannesburg.

Highveld produces between 20,000 and 25,000 tonnes of vanadium pentoxide a year out of the more than 30,000 tonnes produced by South Africa, the world's biggest supplier.

The other major suppliers of the metal, which is used for hardening steel and producing specialised alloys, are the Soviet Union and China.

Muck and magic at the Royal Show

Organic farming was definitely flavour of the year at Stoneleigh

FARMER'S VIEWPOINT

By David Richardson

THE COST of staging last week Royal Show at Stoneleigh in Warwickshire was, according to the chief executive of the Royal Agricultural Society of England, Robin Hicks, about £10m.

For an industry which constantly declares itself to be depressed that seems like a lot of money but Mr Hicks put the figure into perspective by quoting the Ministry of Agriculture's estimate of total farm output last year. It was, he said, worth £12.69bn and agriculture is the UK's second largest industry after oil.

The show itself, he claimed, was the world's No 1 agricultural exhibition, attracting 25,000 overseas visitors (out of a total attendance of over 200,000) from more than 120 countries, many of them buying missions. There is little doubt in fact that it is the pursuit of export opportunities rather than domestic sales that persuades many of the machinery manufacturers to continue the expensive exercise of exhibiting at the event.

In the first four months of this year sales of UK tractors to overseas buyers rose by 24.4 per cent and of other agricultural machines by 15.9 per cent. The balance of trade for farm machinery during the same period was claimed by the Agricultural Engineers Association to be 70 per cent better than the same period last year.

Sales to UK farmers were down by 2.7 per cent for the first six months of this year, however, reflecting their reluctance or inability to purchase. But some of the busiest stands at the show last week were those of the finance houses and leasing companies.

Like most other farmers, I suspect, I go to the show without my cheque book to look at new machines and new ideas and to try to assess trends. Conversations with acquaintances from across the country can be as informative as detailed research.

Generally speaking the mood of farmers seemed to me to be a little more up-beat than in immediate past years with many having a growing, if cautious, feeling that the worst of the bad times may be over. There were exceptions, however, such as the often repeated comment that "if you farm on light land and have a beef herd you are in big trouble."

The reasons behind such opinions were the severity of the drought in May which destroyed any possibility of profit from arable crops on sandy soils without irrigation, in spite of some rain since, and the cattle brain disease scare, which has cut the already depressed value of beef cattle by a further 10 to 20 per cent over the last two months.

On the question of trends, however, there can be no doubt that the Royal Show has gone "green" and that organic farming is the flavour of the year. There was a guest appearance by Mr Jonathon Porritt, former director of the Friends of the Earth environment pressure group, at one of the daily news conferences; signs and posters were to be seen at every turn about the energy-saving properties of this or that piece of equipment; and enlarged areas were devoted to the promotion of conservation, all adding emphasis to the change of direction.

Furthermore the space devoted to organic food, both its production and its consumption, had been expanded to three times its size last year. Encouragement for this growth and much of the cash to finance it had come from the Safeways supermarket chain, which joined with the organic farming organisations in calling for 10,000 more farmers to convert to organic methods over the next 12 months.

Demand for organic food, they said, was outstripping supply and 60 per cent to 70 per cent of that sold in UK stores had to be imported from countries like Holland, Spain and Israel. Indeed, Mr Patrick Holden, the director of both the British Organic Farmers and the Organic Growers Associations, called for the British Government to provide cash to assist with conversion.

Minister of Agriculture John Gummers' limited response was to announce a pilot extensification scheme for beef and sheep farmers. Worth a mere £300,000, the scheme will enable up to 100 beef and sheep farmers to receive compensation for reducing production by 20 per cent on their existing acreage. Beef farmers will receive £55 for each beef animal they do not produce and sheep farmers £14 a head for each breeding ewe they do not keep.

Mr Gummer stressed that it was an experimental scheme for the time being and that more money might be devoted to it later. But it fell far short of satisfying the organic lobby.

Perhaps Mr Gummer, like myself, thought the ambitions of the organic groups were a little over-optimistic. At present it is believed that there are about 1,000 organic farmers in Britain, a few hundred of whom do not subscribe to any of the organisations which claim to co-ordinate their activities – one of the reasons no doubt why those organisations are desperately short of funds.

Expanding organic farming to the extent proposed would not only stretch the administration and policing of the organic standards to which they adhere, but would almost certainly lead to a sharp reduction in the premiums currently paid for such produce. And although organic farmers pay lip-service to the need for reducing the cost of their produce to the consumer they know that without significant premiums production would not be viable.

I cannot believe, therefore, that anything like 10,000 more hard-nosed farmers (or 10 per cent of the UK farm population) will go organic with or without government assistance over the next 12 months. But some will convert because they hope to profit from it and others because they have become convinced that public opinion is right and have to some extent neglected the motto of the Royal Agricultural Society, which since 1839 has been "Practice with Science."

For in spite of all the claims made by enthusiasts there is no scientifically-proven reason why organically produced food should be any better or more healthy than that produced by conventional means. The main difference is in the mind and its popularity is more to do with the basic human need to believe in a mystical creed than with reality. "I believe in God the Father" has been replaced in this latter part of the 20th century by "I believe in muck and magic."

This has led to a situation in which much of the science on which agricultural progress has been based for so many years is ignored in favour of politically-biased rhetoric which it seems has even affected the President of the NFU, Sir Simon Gourlay. At the show he called for the setting up of an agency without statutory powers to restore public confidence in food. People did not believe farmers or government scientists any more, he said. What was needed was an independent body in which they could trust.

He may be right, although without statutory powers I would have thought his agency would be a toothless tiger. Needless to say, however, the idea did not go down well with Mr Gummer, nor with many of Sir Simon's colleagues at the NFU, who saw it as breaking faith with the Ministry of Agriculture in the face of food scares at the very time when the two organisations should be united in reassuring confused consumers.

US-Irish farming joint ventures planned

By Nancy Dunne in Washington

THE US Department of Agriculture is promoting joint ventures in agriculture between US and Irish companies with Ireland to provide a base for trade expansion by both countries into the European Community and third country markets.

The initiative dates back to the 1985 Farm Act when Congress ordered the Department to help promote Irish agricultural development and US-Irish technological exchanges. However, serious efforts to promote business opportunities within the EC only began last year when the promise – or threat – of 1992's single European market became apparent.

The USDA sent a small trade mission to Ireland last year, which produced little beyond negotiations. Two US companies – one in the semen trade and the other, port development – are still holding talks.

This year the department is seeking representatives of US food producing and processing companies for a larger mission from October 15-20. It will be co-ordinated by the Irish Export Board and the Shannon Development Authority.

The Irish Government has identified 19 small- and medium-sized domestic companies interested in co-operation in marketing and specialised food processing technology.

Areas of interest include: wood, dairy and confectionery products; beef, port and frozen food processing; and smoked fish, speciality and convenience foods.

A USDA official said Irish companies were most interested in US marketing and distribution firms as well as American investment capital.

A department circular lauds Irish "political stability and generous tax incentives."

The American-Irish scientific exchange programme, mandated by Congress, has produced joint studies on milk protein; potato processing; dairy processing; and bovine tuberculosis eradication, among others.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices on the LME failed to hang on to earlier gains after profit-taking emerged when Codelco denied market talk of a second rock-burst at its El Teniente mine, traders said. The morning's rise stemmed from spill-over buying from Friday that reflected a strong close on Comex despite a further increase in warehouse stocks to 20,278 short tons (2,000lbs each). London robusta coffee prices were in retreat before New York arabicas opened lower – "Sterling was the main culprit here. We're now about £50 below last week's best and most potential now looks to be on the downside," one London trader said. At midsession New York traders said forecasts for above-freezing temperatures in Brazil's growing regions this week and continued uncertainty over what the country's stance on a new price support pact will be at meetings later this month kept aggressive activity in check. In London gold retreated below $360 a troy ounce by the close after trading a narrow range all day. Business was dominated by professionals with little interest from customers. Sugar prices went into reverse, with New York October tumbling below 12 cents a lb in early trading.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.27-3.42w	-.105
Brent Blend	$15.58-5.62w	-0.25
W.T.I. (1 pm est)	$18.22-8.24w	-0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$227-229	-1
Gas Oil	$145-146	
Heavy Fuel Oil	$66-68	+1
Naphtha	$142-144	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$358.25	-3.0
Silver (per troy oz)♣	487c	-2
Platinum (per troy oz)	$487.0	+0.75
Palladium (per troy oz)	$117.0	-1.5
Aluminium (free market)	$1555	+20
Copper (US Producer)	123c	+3
Lead (US Producer)	49¼c	+¼
Nickel (free market)	400c	
Tin (Kuala Lumpur market)	15.78r	-0.18
Tin (New York)	275c	-3
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	107.12p	+1.52*
Sheep (dead weight)†	180.39p	+5.49*
Pigs (live weight)†	87.37p	-0.13*
London daily sugar (raw)	$315.1t	-7.8
London daily sugar (white)	$394.0t	-6.0
Tate and Lyle export price	£285.5	-4.5
Barley (English feed)	£109	
Maize (US No. 3 yellow)	£157	
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	52.25p	-1.00
Rubber (Sep)♥	52.75p	-1.00
Rubber (KL RSS No 1 Jul)	232.0m	-0.5
Coconut oil (Philippines)§	$318z	+5
Palm Oil (Malaysian)§	$282.5	+5
Copra (Philippines)§	$212.5w	
Soyabeans (US)	£154t	-4
Cotton "A" Index	82.10c	-0.60
Wooltops (64s Super)	477p	-1

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Aug	271.60	290.20	287.60	272.00
Oct	263.80	285.20	284.00	263.00
Dec	280.00	290.00	290.00	286.00
Mar	253.80	271.60	269.00	254.00
May	254.00	270.80	268.00	264.00
Aug	254.80	270.80	267.20	254.20
White	Close	Previous	High/Low	
Aug	373.0	388.5	388.0	371.5
Oct	337.0	357.5	357.5	336.5
Dec	332.5	352.0	351.5	336.5
Mar	330.5	350.0	349.0	330.0
May	329.0	348.5	344.0	
Aug	329.0		333.5	329.5

Turnover: Raw 5473 (2385)lots of 50 tonnes. White 1747 (2522)
Paris- White (FFr per tonne): Aug 2055, Oct 1870 Dec 1885, Mar 1885, May 1886

CRUDE OIL – IPE ($/barrel)				
	Latest	Previous	High/Low	
Aug	15.65	15.86	15.80	15.53
Sep	16.12	16.21	16.14	15.98
Oct	16.58	16.60	16.58	16.32
Nov	16.83	16.89	16.83	16.60
IPE Index	15.96	15.91		

Turnover: 12586 (9951)

GAS OIL – IPE ($/tonne)				
	Latest	Previous	High/Low	
Jul	145.50	144.75	145.50	143.75
Aug	145.50	145.50	145.50	143.75
Sep	147.00	148.50	147.00	145.00
Oct	149.75	150.00	149.75	148.00
Nov	151.75	152.00	151.75	150.00
Dec	153.50	153.50	153.75	151.75
Jan	154.00	154.25	154.00	152.50

Turnover 8589 (9906)lots of 100 tonnes

TEA

There were 24,117 packages were on offer at this weeks auction, including 5,400 offshore, reports the Tea Brokers' Association. There was a better general demand with the emphasis on brighter teas. Best and good medium east Africans were again well supported while lesser sorts ruled fully firm to dearer except the plainest. Central Africans met fair enquiry but often at slightly easier rates. Offshore teas came in for more competition than of late with east Africans and selected coloury central Africans fully firm to dearer. Quotations: quality 250p nominal (260p), medium 125p (120p), low medium 73p (75p).

COCOA – London FOX (£/tonne)				
	Close	Previous	High/Low	
Jul	772	771	775	771
Sep	795	798	801	788
Dec	821	823	828	814
Mar	844	848	852	839
May	864	867	864	859
Jul	884	887	888	880
Sep	904		899	

Turnover: 3113 (1900) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 6 1033.58 (1016.12) 10 day average for Jul 9 1009.58 (1003.06)

COFFEE – London FOX (£/tonne)				
	Close	Previous	High/Low	
Jul	543	558	549	541
Sep	569	585	575	566
Nov	591	605	595	587
Jan	611	624	614	605
Mar	628	642	632	625
May	644	657	650	645

turnover: 3017 (2737) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 6: Comp. daily 68.37 (69.26). 15 day average 68.23 (68.27)

POTATOES – BFE (£/tonne)				
	Close	Previous	High/Low	
Nov	85.0	78.0	82.0	
Apr	116.9	106.0	117.0	109.9
May	129.0	118.5	127.0	125.0

Turnover 358 (249) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)			
	Close	Previous	High/Low
Oct	115.00	117.00	115.00

Turnover 25 (10) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)				
	Close	Previous	High/Low	
Jul	1055	1054	1058	
Aug	1050	1055	1055	1050
Oct	1148	1151	1160	1145
Jan	1162	1160	1170	1160
Apr	1160	1168	1165	1160
BFI	1068	1067		

Turnover 208 (309)

GRAINS – BFE (£/tonne)				
Wheat	Close	Previous	High/Low	
Sep	112.80	113.50		
Nov	115.80	116.30	116.10	115.80
Mar	123.75	124.10	123.80	
May	126.90	127.20	126.90	
Jun	127.95		127.95	
Barley	Close	Previous	High/Low	
Sep	110.30	110.60		
Nov	114.40	114.70	114.50	114.40

Turnover: Wheat 73 (207), Barley 5 (23).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg			
	Close	Previous	High/Low
Sep	116.5	116.5	115.5
Oct	117.5	117.5	116.5

Turnover 12 (26) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover lots
Cash	1549-52	1535-7	1595/1583	1555-7		
3 months	1578-80	1585-6	1586/1575	1585-6	1578-80	50,577 lots
Copper, Grade A (£ per tonne)						Total daily turnover lots
Cash	1550-2	1533-5	1559	1555-8		
3 months	1478-80	1479-80	1492/1469	1478-80	1471-2	79,814 lots
Lead (£ per tonne)						Total daily turnover lots
Cash	510-2	510-2	515.5/515	515.5-6		
3 months	511-2	510-1	517/508	515-5.5	508-9	10,758 lots
Nickel ($ per tonne)						Total daily turnover lots
Cash	8700-20	8610-30	8720	8650-60		
3 months	8725-50	8655-65	8750/8700	8690-700	8710-40	9,030 lots
Tin ($ per tonne)						Total daily turnover lots
Cash	5875-95	5840-50	5875/5870	5875-80		
3 months	6005-10	6065-70	6040/5990	6000-10	6000-10	5,036 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover lots
Cash	1777-82	1745-50	1795	1794-6		
3 months	1685-7	1670-2	1698/1675	1689-91	1689-90	19,236 lots

LME Closing £/$ rate:
SPOT: 1.8065 3 months: 1.7779 6 months: 1.7503 9 months: 1.7291

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	358-358½	198¼-198¾
Opening	359¾-360¼	199-199½
Morning fix	359.90	198.840
Afternoon fix	360.25	199.121
Day's high	361-361½	
Day's low	357¼-357¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	365-370	202-205
Britannia	365-370	202-205
US Eagle	365-370	202-205
Angel	365-370	202-205
Krugerrand	357-360	198-200
New Sov.	86-88	47½-49
Old Sov.	86-88	47½-49
Noble Plat	492.85-500.65	272.30-276.60
Silver fix	**p/fine oz**	**US cts equiv**
Spot	269.60	488.00
3 months	279.65	498.25
6 months	289.65	508.60
12 months	308.95	530.05

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1500	85	103	11	20
1600	27	47	52	60
1700	5	16	128	127
Copper (Grade A)	**Calls**		**Puts**	
2500	219	142	27	83
2650	120	75	78	162
2750	73	46	127	229
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	72	98	3	8
550	35	62	16	22
600	14	38	45	46
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
750	62	104	18	34
800	34	76	40	58
850	17	55	73	85
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1550	29		15	35
1600	4	56	47	57
1650		40	97	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jul	358.2	361.1	361.0	361.0
Aug	359.8	362.9	363.6	358.5
Sep	361.8	364.8	0	0
Oct	364.1	367.1	367.7	363.1
Dec	368.6	371.6	372.3	367.2
Feb	373.2	376.2	376.0	372.0
Apr	377.6	380.8	379.1	379.1
Jun	382.2	385.2	0	0
Aug	386.6	389.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	482.8	482.2	486.0	482.5
Aug	485.5	485.2	0	0
Oct	491.0	491.1	496.0	490.2
Jan	496.8	496.9	500.0	497.0
Apr	502.5	502.7	504.5	504.5
Jul	508.3	508.7	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jul	480.0	486.5	488.0	480.0
Aug	482.6	488.4	0	0
Sep	486.5	493.3	497.4	486.0
Dec	497.6	504.4	507.9	497.1
Jan	500.7	507.5	0	0
Mar	508.3	515.1	514.5	509.5
May	515.6	522.4	517.5	517.5
Jul	522.9	529.7	530.0	525.0
Sep	530.5	337.4	538.0	538.0
Dec	541.7	548.6	545.0	543.0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul 9	Jul 6	mnth ago	yr ago
1853.7	1862.8	1867.1	1938.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul 6	Jul 5	mnth ago	yr ago
Spot	133.45	134.37	131.58	131.92
Futures	132.97	133.98	132.65	130.83

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	119.60	119.60	121.00	119.20
Aug	118.85	119.10	120.00	118.90
Sep	117.35	118.20	119.10	116.80
Oct	115.60	116.50	116.00	116.00
Nov	113.40	114.35	113.90	113.90
Dec	111.30	112.30	113.20	110.80
Jan	109.50	110.60	0	0
Mar	106.05	107.30	107.50	106.30
Apr	104.90	106.25	0	0
May	103.30	104.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Aug	16.24	16.47	16.32	16.05
Sep	17.06	17.20	17.14	16.91
Oct	17.67	17.74	17.69	17.50
Nov	18.05	18.11	18.07	17.88
Dec	18.35	18.38	18.36	18.20
Jan	18.50	18.55	18.54	18.38
Feb	18.64	18.66	18.65	18.52
Mar	18.65	18.75	18.65	18.64
Apr	18.84	18.83	18.84	18.75

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Aug	4845	4830	4855	4765
Sep	4955	4945	4960	4870
Oct	5060	5082	5080	5005
Feb	5315	5302	5325	5275

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	1265	1289	1274	1270
Sep	1294	1311	1335	1292
Dec	1325	1343	1359	1323
Mar	1356	1378	1393	1356
May	1375	1398	1413	0
Jul	1397	1419	1440	0
Sep	1418	1440	1465	0
Dec	1448	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	84.15	85.15	84.75	84.25
Sep	86.85	87.50	87.40	86.30
Dec	90.10	90.85	90.50	89.55
Mar	92.90	93.75	93.50	92.25
May	94.65	95.40	96.00	96.00
Jul	96.40	97.00	0	0
Sep	98.50	99.00	99.25	98.50
Dec	101.75	100.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	11.90	12.59	12.42	11.70
Mar	11.47	12.21	12.00	11.40
May	11.72	12.22	11.98	11.72
Jul	11.75	12.25	12.02	11.75
Oct	11.75	12.25	12.00	11.75

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	90.00	91.44	92.20	90.00
Oct	78.74	78.74	79.16	78.74
Dec	71.96	73.62	74.35	71.62
Mar	72.40	74.17	74.90	72.25
May	72.80	74.58	75.30	72.80
Jul	72.45	74.25	0	0
Oct	68.58	69.60	69.00	68.65

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	188.60	192.20	193.00	188.25
Sep	173.05	176.90	178.50	173.00
Nov	166.05	169.50	169.50	166.00
Jan	160.25	162.00	161.25	161.00
Mar	160.10	161.10	160.75	160.00
May	159.50	160.50	0	0
Jul	159.50	160.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	616/4	619/0	619/6	607/4
Aug	620/6	624/6	626/4	613/0
Sep	628/6	631/6	632/4	620/0
Nov	641/4	7644/6	645/4	633/0
Jan	652/0	666/6	656/4	644/0
Mar	663/4	667/4	667/4	656/4
May	671/0	675/0	676/0	663/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	24.42	24.37	24.56	24.12
Aug	24.31	24.26	24.42	24.00
Sep	24.28	24.20	24.40	23.95
Oct	24.25	24.08	24.25	23.90
Dec	24.17	24.05	24.22	23.77
Jan	24.07	23.95	24.10	23.75
Mar	23.92	23.72	23.99	23.60
May	23.90	23.65	23.90	23.50
Jul	23.62	23.50	23.75	23.55

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	178.9	180.8	180.5	178.0
Aug	180.6	182.4	182.2	179.7
Sep	183.0	184.3	184.0	181.7
Oct	185.0	186.5	186.1	184.0
Dec	188.6	190.2	190.0	187.3
Jan	189.5	191.0	191.0	188.5
Mar	191.5	193.0	193.0	190.0
May	193.2	195.0	194.5	192.6

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	280/6	280/0	281/4	277/4
Sep	274/4	273/0	275/0	271/4
Dec	273/2	272/4	273/4	269/4
Mar	279/0	277/0	279/2	275/0
May	283/2	282/2	283/4	279/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	306/4	309/2	311/4	306/4
Sep	314/6	316/2	319/4	314/2
Dec	331/4	333/4	336/2	330/4
Mar	340/0	342/2	344/4	339/0
May	338/4	343/4	345/0	338/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	74.15	73.65	74.27	73.62
Oct	76.02	75.65	76.15	75.62
Dec	75.55	75.15	75.67	75.10
Feb	75.25	75.00	75.32	74.90
Apr	76.15	75.85	76.15	75.70
Jun	73.32	73.02	73.32	73.00

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jul	60.97	61.60	61.80	60.35
Aug	57.85	58.37	58.15	56.95
Oct	52.07	53.12	52.87	51.62
Dec	51.12	52.20	51.80	50.70
Feb	49.07	49.70	49.50	48.35
Apr	46.00	46.70	46.50	45.85
Jun	48.50	50.00	49.60	49.30

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	52.17	54.17	53.25	52.17
Aug	49.95	51.95	51.40	49.95
Feb	54.90	55.85	55.80	54.50
Mar	54.70	54.60	55.10	54.02
May	55.60	55.95	56.60	55.10

LONDON STOCK EXCHANGE

Slow start to the new equity account

A STRONG pound bore down on the international stocks in London yesterday, helping to restrain an equity sector still grappling with a steady flow of corporate profits downgradings by UK securities analysts. The firmness in sterling, prompted by hints last weekend that the UK Treasury favoured British entry into the European Exchange Rate Mechanism (ERM) on the back of a higher pound, was regarded as negative for exporting firms; any positive implications for UK interest rates were brushed off by a market which believes that interest rate cuts will have to wait until after a decision on the ERM front.

Account Dealing Dates		
*First Dealings:		
Jun 25	Jul 9	Jul 23
Option Declarations:		
Jul 5	Jul 19	Aug 2
Last Dealings:		
Jul 6	Jul 20	Aug 3
Account Day:		
Jul 16	Jul 30	Aug 13

*New-time dealings may take place from 8.30 am two business days earlier.

Yesterday marked the opening of the new two-week equity trading account as well as a week featured by important data on the domestic economy. There was little immediate response at mid-session to news that UK producer output prices had gained 0.2 per cent and input prices shed 1.3 per cent in June. Both were in line with forecasts in the City of London, and left the market to await the week's principal hurdle on Friday when the retail price index will reveal the latest inflation trends.

After a dull start, equities edged forward on the back of a handful of large corporate deals and a good premium on the FT-SE September futures contract. With little genuine investment support, however, a 5.5 point gain on the FT-SE Index was soon lost and the market spent the rest of the session moving very narrowly on the downside.

Further discouragement came in the second half of the session in the form of a downturn in UK government bonds despite the firmness of the pound, and of a Wall Street market which showed little inclination to extend Friday's gains; the US stockmarket was just 0.54 Dow points off as London closed.

The final reading showed the FT-SE Index at 2,337.5, a net loss on the day of 2.5 points. Traders continued to look nervously over their shoulders in the direction of FT-SE 2,000, as the next testing level.

Seaq volume was very thin, with the day's total of 387.3m shares taking in a 61m share contribution from final deals in Globe Investment Trust as the British Coal Pensions Fund bid was completed.

There were fewer special situation stocks than on Friday but once again, there appeared to be a ready response from institutional investors to corporate or market developments. A substantial block of nearly 6m shares in Amstrad, the electronics group, was apparently placed with institutions. Legal & General, the UK insurer responded favourably to the £140m sale of its Victory reinsurance subsidiary to Nationale Nederlanden of Holland. But overall, it was a cautious market, evidently lacking confidence yet for any recovery from last week's falls.

FINANCIAL TIMES STOCK INDICES

	July 9	July 6	July 5	July 4	July 3	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.40	78.63	79.03	79.34	79.39	85.72	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.24	87.80	88.02	88.06	88.05	98.61	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1859.3	1865.0	1858.2	1861.1	1894.7	1820.1	1988.3 (3/1)	1659.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	179.3	180.9	181.4	183.4	181.3	203.3	378.5 (6/2)	167.8 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2337.5	2340.0	2331.4	2355.5	2371.7	2185.5	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.99	4.97	4.99	4.93	4.88	4.44				
Earning Yld %(full)	11.04	11.00	10.99	10.87	10.78	10.39				
P/E Ratio(Net)(☆)	10.98	11.02	11.03	11.15	11.24	11.59				
SEAQ Bargns 4.45pm	23,130	25,021	22,818	21,517	23,823	29,178				
Equity Turnover(£m)†	-	1797.39	1054.15	717.44	786.74	1202.24				
Equity Bargains†	-	28,608	22,562	22,324	23,610	34,070				
Shares Traded (ml)†	-	601.5	416.9	322.4	417.4	447.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.86

Ordinary Share Index, Hourly changes — Day's High 1865.0 — Day's Low 1857.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1865.0	1859.9	1861.3	1860.2	1858.8	1858.7	1859.3	1859.8	1860.3

FT-SE, Hourly changes — Day's High 2345.5 — Day's Low 2337.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2337.0	2344.8	2341.0	2340.1	2337.7	2338.1	2337.9	2338.2	2338.0

GILT EDGED ACTIVITY

Indices*	July 6	July 5
Gilt Edged Bargains	96.3	117.9
5–Day average	91.5	90.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	732	176	+1	Courtaulds	278	357	+2	MEPC	446	514	−1	Slough Ests	28	282	+2
ASDA Group	2,800	115	+½	Dalgety	333	383	−5	Manpower	29	80	−1½	Smith (W.H.) A	167	339	
Abbey National	1,200	212	+2	Dixons	1,700	133	−7	Marks & Spencer	1,000	225	−3	Smith & Nephew	1,200	113½	+1
Allied-Lyons	828	486		ECC Group	51	404	−½	Maxwell Comms.	383	186	+1	SmKl Beecham	595	530	+2
Amstrad	12,000	67	−1	Enterprise Oil	78	632	+6	Mecca Leisure	9	65		SmKl Beecham Units	10	2523	+10
Anglian Water	918	165½	+1½	FKI	439	71	−1	Midland Bank	1,300	307		Smiths Inds.	847	225	−3
Argos	759	233		Ferranti	5,000	33	−1	NatWest Bank	2,900	332	+3	South West Water	21	169	−2
Argyll Group	1,450	239	+1	Fisons	1,300	357½	−6½	Next	204	46	−3	Southern Water	583	140	
Ass. Brit. Foods	214	413	+2½	Gen. Accident	1,200	556	−12	North West Water	738	157		Standard Chartd.	328	461	+1
BAA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BPB Inds.	359	209	−3	Grand Met.	1,700	640	−8	Polly Peck Intl.	738	485	+1	TSB	500	137	+1
BTR	853	415	−1	GUS A	28	1022	+1	Prudential	1,100	226	−1	Tarmac	1,500	246	−4½
Barclays	2,700	403	+5	GRE	656	227	−4	RHM	290	381		Tate & Lyle	198	307	
Bass	294	1093	+4	GKN	395	385	+2	RMC	594	673	−5	Taylor Woodrow	63	280	−1
Beazer	170	158	−2	Guinness	757	784	+1	RTZ	590	545	+4	Tesco	2,700	224	+2
Berisford Int.	3,000	68	+4	Hammerson 'A'	145	707		Racal	1,400	205	+2	Thames Water	484	150	
Blue Circle	485	237		Hanson	4,800	222½	−½	Racal Telecom	128	363	+½	THORN EMI	980	735	−12½
Boots	4,200	282	−3	Hanson Warrants	831	54	−1	Rank Org.	19	631	−2	Trafalgar House	1,100	303	−7
Brit. Aerospace	1,500	530	−1	Harrisons Crosfield	118	165	−1	Reckitt & Colman	161	1255	−4	Trusthouse Forte	861	300	−4
British Airways	2,700	213	+2	Hawker Sidd.	66	605	−5	Redland	774	604	−4	Ultramar	182	342	+2
British Gas	4,200	225	−½	Hillsdown	783	279	+2	Reed Intl.	190	459	+1	Unigate	972	294	−1
British Land	584	321	+1	[illegible]	936	248		Reuters	48	1261		Unilever	647	684	−9
BP	4,700	321	+1½	ICI	1,600	1148	−9	Rolls Royce	5,100	225	+1	United Biscuits	1,000	357	−1
British Steel	1,500	136½	+½	Inchcape	588	270	−4	Rothmans	16	765	+2	Utd. Newspapers	955	334	−7
British Telecom	2,400	305½	+1½	Kingfisher	381	342	−6	Ryl Bk Scotland	374	168	+1	Water Package Uts.	2	£1563	+3
Bunzl	117	91	−1	Ladbroke	876	320	−2	Royal Insurance	494	493	+2	Wellcome	286	598	+5
Burmah Oil	201	640	−8	Land Securities	159	521		STC	468	281	−4	Welsh Water	2,100	171	−1
Burton	4,600	95	−8	Laporte	146	581	−7	Saatchi	559	84		Wessex Water	1,000	182	+1
Cable & Wire.	1,800	524	−3	Legal & General	2,100	414	+4	Sainsbury	882	287	−1	Whitbread 'A'	439	450	
Cadburys	3,100	361	−6	Lloyds Abbey	394	325		Scottish & New.	163	340		Williams Hldgs.	179	276	+1
Calor Group	74	252	+3	Lloyds Bank	2,400	304	+5	Sears	1,300	95		Willis Faber	250	236	−1
Carlton Comms.	755	518	−7½	LASMO	84	402	−1	Sedgwick	34	240		Wimpey	60	241	−3
Coats Viyella	47	124	+1	Lonrho	2,100	284	−3	Severn Trent Water	309	141		Yorkshire Water	330	162	+1
Comm. Union	229	504	−2	Lucas	1,600	160		Shell Transport	2,308	440	−3				
Cookson	307	198		MB Group	210	209	−½	Siebe	532	486	+5				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Glaxo finds US demand

Glaxo was the best performer among FT-SE 100 stocks, although trading volume was light. Marketmakers noted that the buying continued to come from the US and their thoughts turned to the strength of sterling against the dollar.

Mr Ian Moore at UBS Phillips & Drew said that the proportion of Glaxo's shares in ADR form had risen from 10.1 per cent to 13.6 per cent since January 1990.

Analysts suggested that US investors were buying blue chip sterling denominated security on the grounds that "the currencies are only going one way."

A second reason for Glaxo's performance was the start in Davos, Switzerland, of a major conference on asthma this week. Analysts have a high regard for salmeterol, Glaxo's asthma drug which is expected to begin gaining approvals for clinical use in mid-1991, and in the US by 1994. The drug should help maintain Glaxo's leading position in asthma treatment. It would replace Ventolin, but at a higher price and without recourse to a US licensee.

One analyst argued that the same factor could have been behind Fisons' poor performance yesterday. Fisons' asthma drug Tilade last month received a less-than-fulsome recommendation of approval from the advisory committee of the US Food and Drug Administration.

Glaxo rose 21 at one point and closed at 830p, a net gain of 17. Fisons lost 6 to 358p.

Airways firm

The latest set of traffic statistics from British Airways met with widespread approval and gave the shares an early boost.

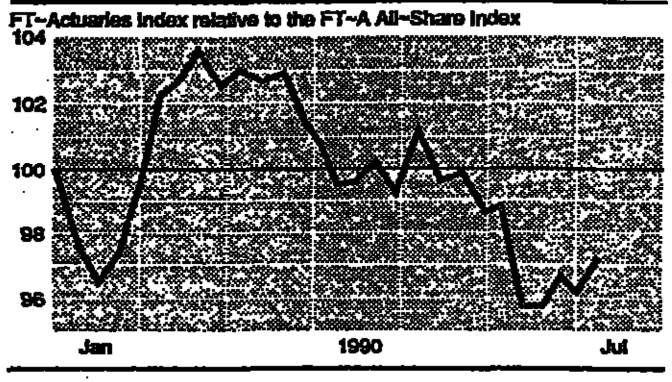
Ms Jennie Younger at BZW said the figures continued a rising trend. "Where BA has chosen to increase its capacity has coincided with where the best growth has come from," she said. She singled out intercontinental services, with a 16.3 per cent rise in passenger numbers, as a particularly good performer.

"Another set of excellent traffic figures," said Mr Tim Coombs at County NatWest WoodMac. He said that historically traffic growth was 2½ times wider economic growth but that BA was doing better than this. The quarter's traffic growth was 13.2 per cent, implying a wider growth of 5.3 per cent which was far greater than was the case. Passenger load factor for June increased by 2.9 per cent to 76 per cent, a new record.

BA climbed to a high of 215p, but trickled back in an uninspiring afternoon session to close at 213p, still an improvement on the day of 2. Turnover at 2.7m shares, was unexceptional.

Oil & Gas

FT–Actuaries index relative to the FT–A All–Share index



Oil shares staged a small recovery in recent sessions after falls triggered by the sharp decline in crude oil prices. The latter were hit by overproduction by OPEC, whose members will meet this month and are expected to try to stabilise crude prices.

The ending of the strike by Norwegian oil rig workers put downward pressure on the crude oil market and had a restraining effect on the oil and gas sector. August Brent settled 45 cents lower at $15.55 a barrel.

A number of rumours of imminent and substantial profits downgrades in the oils were in the background of what was described as a nervous session in the sector. One leading agency broker was thought to have lopped £200m off its current year forecast for BP, down to £1.1bn, although this was not confirmed. It was said that others will quickly follow to reduce their expectations for BP, while dividend forecasts for Shell are also said to be in danger of substantial reductions.

Analysts are worried about the impact of the recent sustained rise in sterling on BP and Shell, and there are also concerns about OPEC's ability to control oil output. "The oil majors have held up well basically because of their defensive attractions in an equity market constantly being bombarded with big profits downgrades," said one specialist.

BP settled 1½ higher at 321p with 4.7m shares traded, while Shell eased 3 to 449p.

Bank shares set off on a strong run early, in a move correctly anticipated by the market last Friday when dealers were said to have moved quickly to cover short positions. One of the leading American-owned securities houses was said to have been behind the recent heavy buying of the sector, taking the view that the weakness evident over a week ago, when some big profits downgrades were made known to the market, had been overdone.

"The market has already made allowances for the substantially high levels of bad debts; the bad debt position is certainly not expected to deteriorate in the next couple of years; and we are looking at dividend growth well in excess of the market norm," said one analyst. Kleinwort Benson's preview of the clearing banks' interim figures, instrumental in the strong performance of the banks last week, was published yesterday. The interim season gets under way at the end of this month.

Barclays, where 2.7m shares changed hands, and NatWest, 2.9m, were the leaders in terms of turnover, with the former closing a net 5 up at 403p, after 407p, while the latter were 3 firmer at 332p, after 337p.

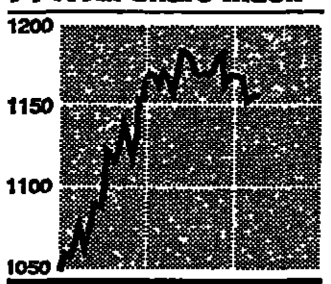
Legal & General easily outperformed an otherwise sluggish life assurance sector after the group announced the sale of its Victory Reinsurance business to the Netherlands Reinsurance Group in a deal worth £140m. Legals will receive £122m cash for Victory plus £18m in capital resources.

Dealers described the £140m price received for Victory as "just about as good a price as one could have expected," and Legal & General shares touched 416p before ending the day a net 4 higher at 414p; turnover totalled an unremarkable 2.1m.

Prudential was little changed at 226p after widespread reports in the weekend press that the group would announce further substantial cuts in its estate agency business later this week.

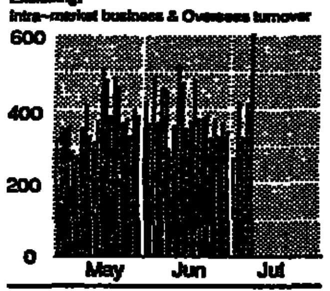
Composite insurers were hit by a bearish note issued by UBS Phillips & Drew. Mr Andrew Goodwin at UBS recommends "an underweight position in the sector," citing deteriorating conditions in the UK market coupled with scant evidence of a recovery in US rates. His principle recommendation is to sell Sun Alliance. Sun shares closed 5 off at 323p on 1.5m. General Accident, also vulnerable to the deteriorating outlook in the UK, fell 12 more to 536p on 1.2m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



The £1 level provided no resistance to Burton as the shares continued to run away from the company's profits warning last month. The shares fell another 8 to 96p.

Marks and Spencer continued to trade nervously ahead of the company's annual meeting tomorrow lost 3 to 225p.

The market gave no benefit of the doubt to Empire Stores ahead of finals today. Analysts are forecasting large losses and saying that the company would find it hard to remain independent. It has three large shareholders. La Redoute, of France, with 26 per cent, Gecos, of Italy, with 24.3 per cent, and Great Universal Stores, which bid for Empire in 1982, with 12.1 per cent. Empire lost 10 to 85p.

Other stores stocks also fell, the exception being J. Menzies, which posted a final profit improvement of 11¼ per cent to £29.1m. The shares rose 15 to 354p. Mr Keith Wills at Goldman Sachs said the market was pleased with the "reassuring" efforts to deal with the US Early Learning Centres which had been "a cloud had been hanging over the company."

Weekend press reports that Cadbury-Schweppes might buy the chocolate business of Jacobs Suchard, the Swiss food group bought by Philip Morris last month, hit the stock hard in early trading. The shares recovered steadily from the day's low of 353p on a mixture of analysts' scepticism, unofficial and finally official denials from one or more of the parties concerned. Cadbury recovered almost to the overnight price but slipped just before the close to 361p, a net decline of 6.

Berisford International had only weekend press comment on the likely sale of its British Sugar operation and the shares added 4 at 68p.

A line of 12.5m shares in Spring Ram was said to have been placed on behalf of former director Mr R.S. Murray at 120p by brokers Panmure Gordon. Mr Murray, who resigned some weeks ago formerly held 22m shares in the company. The share price was 3 higher at 120p.

Amstrad settled a penny off at 67p after a line of 5.9m shares were placed in the market around the 65¼p level.

A buy note issued by BZW, coupled with a series of institutional lunches and analysts visits' to the group's operations were behind a modest rise in GEC, which settled a net 2 higher at 189¼p ex-dividend; turnover reached 6.7m.

Smiths Industries eased 3 to 225p as Hoare Govett trimmed its forecast for the group's full-year profits. The securities house now expects Smiths to make £113m, down from £119m, owing to currency considerations.

British Vita, on the other hand, progressed 5 to 193p, helped by an upgrading from Kleinwort Benson. Currencies will have a negative translation impact, said researcher Mr Jeremy Chantry.

Reassuring comment ahead of today's preliminary results encouraged a rally in Kingsgrange and the shares rose 7 to 29p. Thorpac, distributor of deep freeze packaging and accessories, gained 5 to 36p awaiting figures tomorrow.

Another to attract interest ahead of trading news was Benjamin Priest, 3 higher at 114p. UBS Phillips & Drew expects the company to unfold annual profits of £7.7m on Thursday. Weir Group was quoted ex the rights issue at 281p with the new nil-paid shares at 31p premium.

A couple of engineering concerns were underpinned by advice from Paribas Capital Markets. Analysts Mr Alan Coates and Mr David Owen reckon Simon Engineering, 403p, "is soundly based for long term progress" and, excluding the dilutive effect of the rights issue, is "committed to a 15 per cent average earnings per share growth." The duo also recommends that Babcock International, 48½p xd, should be bought on weakness.

Scottish Heritable Trust dropped on the warning that profits this year "are likely to show a reduction from those of 1989 due to the very low level of activity in the UK commercial property market and current weakness of the UK and US housing markets." The shares closed down 22 at 88p.

Higher first-half profits together with news of an acquisition and of disposals supported Low & Bonar, up 2 at 188p, while Reliance Security bounded 7 to 166p on the increased earnings.

■ Other Market statistics, including the FT-Actuaries share index, Page 28

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (38). BRITISH FUNDS (2) BREWERS (1) CHEMICALS (2) STORES (3) ELECTRICALS (2) ENGINEERING (1) FOODS (2) INDUSTRIALS (12) Sowater 7.75pc Cv. Pf., CRT, Computer People, Hutchison Whampoa, Lilly (Eli), Reliance Security, Relyon, Sanders & Sidney, Securiguard, Shanks & McEwan, Stai-Plus, Wyko, TEXTILES (1) TRANSPORT (2) TRUSTS (8) OILS (2).
NEW LOWS (106). AMERICANS (14) CANADIANS (4) BANKS (3) BREWERS (1) BUILDINGS (9) CHEMICALS (3) STORES (5) ELECTRICALS (9) ENGINEERING (3) FOODS (3) INDUSTRIALS (14) Amber Indl., Aukett Assocs., Copymore, Courtney Pope, Cowan de Groot, Davies (D.Y.), EFG, Mayborn, Radiant Metal, Scottish Heritable Tst., Stormgard, Waterman Partnership, Whitegate Leisure, Do. Warrants, INSURANCE (2) LEISURE (1) MOTORS (3) PAPERS (4) PROPERTY (4) SOUTH AFRICANS (1) TRANSPORT (1) TRUSTS (8) OILS (7) MINES (8) THIRD MARKET (2).

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

Continued on next page

APPOINTMENTS

Marketing man for Sealink

■ SEALINK BRITISH FERRIES, now owned by Stena Line, has appointed Mr Bo Severed as marketing director, and Ms Anita Beijer as director of human resources. Both are from Stena Line in Sweden. The company name will change to Sealink Stena Line later this year, and move its headquarters from London to Ashford, Kent, by early 1991.

■ CANNON LINCOLN, Wembley, has appointed Mr Gary McPhail as chairman, and Mr David Martin as managing director. Mr McPhail was managing director, and Mr Martin was corporate development director. The company is a subsidiary of Lincoln National Corporation, US.

■ CHARTERED WestLB has appointed Mr Jan Bowlus as a managing director to be responsible for corporate finance in continental Europe with special emphasis on Germany. He was managing director of Prudential-Bache Capital Funding.

■ HILL SAMUEL INVESTMENT MANAGEMENT has appointed the following associate directors: Mr Hywel Morgan, international fixed interest; Mr Lindsay Johnston, finance; Mr Phil Manvell, head of securities; Mr John Morley, head of systems.

■ MURRAY JOHNSTONE has appointed Mr Giles Weaver as director, pension funds and UK investment, from October 1. He is managing director (pensions) at Prudential Portfolio Managers.

Birmingham Mint finance changes

■ Mr Patrick Palmer, group financial controller, has been promoted to group finance director of BIRMINGHAM MINT GROUP. Mr Geoff Hope-Terry has joined subsidiary Birmingham Mint as financial director. He was financial director of Morgan Ceramic. Mr Les Litwinowicz has been appointed group business development manager. He was finance director, forge division, Mabey Group Holdings.

■ Mr Derrick Scott has been appointed a director of HAMBROS BANK.

■ Mr Brough Girling has been promoted to deputy chief engineer surveyor for LLOYD'S REGISTER OF SHIPPING. He succeeds Mr Donald McKinley who has retired. Mr Girling was assistant chief engineer surveyor.

■ Mr Paul Thompson has been appointed group finance director of DC GARDNER GROUP replacing Ms Philippa Foster Back who has resigned. Mr Thompson was finance director of Crossley Builders Merchants.

■ HENDERSON UNIT TRUST MANAGEMENT has appointed Mr Matthew Green to the board. Mr Guy Beech, manager, investment sales department, and Mr Craig Walton, northern regional sales manager, become assistant directors. Henderson Investment Services has promoted Mr Roger Barnes, head of compliance, to the board.

Welsh bank post

■ THE BANK OF WALES has strengthened its top-management team with the appointment of Mr David Martin to the new post of deputy general manager, *writes Anthony Moreton, Welsh Correspondent.* Mr Martin is to be no. 2 to the director and general manager, Mr Eric Crawford.

Mr Martin joins the Cardiff-based bank, which is 75 per cent owned by the Bank of Scotland, from Girobank where as general manager (privatisation) he was deeply involved with the privatisation and sale to the Alliance and Leicester Building Society.

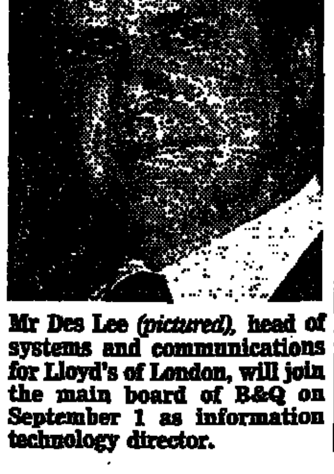
Mr Alistair Lang becomes area manager South East Wales; Mr Roger Watson, area manager North Wales; and Ms Sandra Spray, personnel manager.

Chairman of Pict

■ Mr Peter Everett has been appointed chairman designate of PICT PETROLEUM. He will succeed Mr William Grassick who retires at the annual meeting in November. Mr Everett was managing director of Shell UK Exploration and Production.

■ Mr Christopher A. Tracy has been appointed a director of ASW, Cardiff.

■ Mr Bernie Wheaton has joined MICROVITEC, Bradford, as director of materials. He was purchasing manager, Gandalf Technologies.



Mr Des Lee *(pictured)*, head of systems and communications for Lloyd's of London, will join the main board of B&Q on September 1 as information technology director.

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
305	209	ANZ SA1	226	+2	44c	1.4	8.8	8.1
214	172	Abbey National 10p	212	+2	5.7	4.3	3.6	8.6
*274	210	Allied Irish Ord.	220	–4	Q40%	3.3	4.3	9.5
£13¾	£11¼	Algemene Fl.10	£11¼	+¼	Q28%	2.1	7.9	5.9
85	63	Anglo Irish	68	.....	h08.7%	2.7	6.5	9.3
83	68	Ansbacher (H.) 1p	82	.....	2.5	1.3	4.1	23.6
£71¾	£34½	Bancaire Cie Fr100	£38¼	–¼	Q12¼%	–	2.2	–
£22¾	£16⅝	Banco Bilbao Viz	£19½	.....	Q49.1%	2.7	4.3	12.6
£31	£24¼	Banco de Santander	£28¼	.....	Q25%	2.4	4.0	10.5
286	224	Bank Ireland Ir£1	239	.....	Q14.7%	2.9	5.8	8.0
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	4.9	–
125	104	Bank Scotland	118	.....	4.55	3.3	5.1	7.8
100¼	83¾	Do. 9¼pc Irrd Pf.	95	.....	9¼%	–	13.0	–
54	39	Bank of Wales	52	.....	2.8	0.8	7.2	25.0
428	352	Barclays £1	403xr	+5	h19.57	3.5	6.5	5.6
22	12	Benchmark 20p	14	+1	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	315	+2	12.0	2.2	5.1	10.2
*435	341	Cater Allen £1	366	–1	N24.5	♦	8.9	♦
179	112	Chancery	112	–2	9.0	2.7	10.7	4.5
£23¼	£18¾	Commerzbk DM10	£20¼	.....	Q18%	–	3.3	–
£13¼	842	Dai Ichi KBk Y50	887	.....	Q17%	♦	0.4	♦
*£313½	£261	Deutsche Bk DM50	£277¾	–¾	Q28%	–	1.8	–
£20¾	£18½	Espirito Santo	£18½	.....	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p	198xr	–½	13.0	2.4	8.8	6.1
121	96	FNFC 6.3pc Cv. Pf.	98	.....	6.3%	–	8.6	–
£13¼	968	Fuji Bank Y50	978	.....	Q17%	♦	0.3	♦
325	262	Gerrard & National	289	–1	19.0	♦	8.8	♦
154	122	Guinness Mahon 10p	122	.....	2.1	–	2.3	–
328	223	Hambros 20p	268	.....	11.5	–	5.7	–
128	93	Do. 7.5pc Cv Pf.	114	+1	7½%	–	8.8	–
53½	42	HK & Shang. HK$2.50	42½	–½	H038c	–	6.8	–
478	458	Joseph (Leo) £1	465	.....	15.85	–	4.6	–
150	126	King & Shaxson 20p	142	+1	10.25	♦	9.6	♦
422	340	Kleinwort Benson Grp.	365	+1	16.0	2.5	5.8	9.2
642	402	Kyowa Bank Y50	413	–14	Q14%	♦	0.7	♦
312	242	Lloyds £1	304	+5	13.3	2.6	5.8	7.1

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]						
Sempernova......γ	12	......	–	–	–	2.6
Sleepy Kids 5p......γ	31	......	–	–	–	–
Swanyard Studios 1p γ	1½	......	–	–	–	8.4
Systems Connections.γ	2¼	–¼	–	–	–	–
Tomorrows Leisure 20p γ	58	......	–	–	–	22.1
UPL Group 10p.....γ	34	......	‡2.75	1.9	‡	6.4
Unit Group..........γ	175xd	+7½	5.0	♦	3.8	♦
Video Magic Leis. 1p γ	56	–2	W2.0	0.7	4.8	44.9
Vista Ents 5p.......γ	4¼	......	–	–	–	–
Vizcaya Hldgs 5p..γ	13	......	–	–	–	–
Wilton Group 1p...γ	3¼	......	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1..γ	830	......
Finlay Pkg. 5p....γ	53	......
Holt (Jos) 25p.....γ	1310	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991....	£98¾	......
9pc Cap Ln. 1996...	£95¼	–½
Fin. 13% 97/02...	£113¼	–¼
Arnotts...............	192	......
Carrol (P.J.).......γ	125	......
Hall (R. & H.).......	165	......
Helton Hldgs.......γ	72	......
IRG.....................	200	......
United Drug.........	160	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Aztec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	48
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46¼
GEC	18
Glaxo	68
Grand Met	53
Guardian	28
GKN	33
Hanson	28
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	78
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property	p
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils	p
Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines	p
Lonrho	21
RTZ	50

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.02	49.53	52.69	-0.48	5.20
Gilts & Fixed Int	6	103.9	103.9xd	110.4	.....	9.46
High Inc Equity	6	134.2	134.2xd	143.5	+0.3	4.43
Worldwide Bond	6	184.8	184.8	196.1	-1.3	6.58
Capital Growth						
American Growth	6	182.6	184.3	196.0	-1.8	1.19
Asian Pacific	6	136.2	139.3	148.1	-1.4	0.00
Assets & Earnings	6	157.9	161.7	172.0	+0.4	2.82
Capital Reserve Acc	0	93.13	93.13	93.33	-0.08	7.65
Capital Reserve Inc	0	78.28	78.28	78.44	-0.07	7.65
Cmdty & Energy	6	89.19	91.52	97.36	-0.88	0.00
Dividend & Growth	6	47.13	48.21xd	51.28	.....	4.39
1992 Enterprise	6	62.71	64.07	68.15	.....	1.97
Euro Capital Acc	6	102.2	103.5	110.1	-1.0	0.90
Euro Capital Inc	6	98.32	99.64	106.0	-0.6	0.90
General	6	176.9	180.7	192.2	+0.7	2.60
International	6	60.06	60.85	64.73	-0.2	0.77
Japan	6	100.5	101.3	107.7	-0.9	0.00
Mastertrust	6	88.81	88.81	94.98	-0.57	1.56
UK Growth Acc	6	175.3	183.1	194.7	+0.1	2.55
UK Growth Dist	6	114.5	119.6	127.2	+0.1	2.55
US Emerging Cos	6	57.35	58.72	62.46	-0.43	0.00
Income & Growth	6	300.5	307.5	327.1	+0.7	3.13
Ethical	6	47.47	48.71xd	51.81	+0.06	1.95

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.20	31.91	33.42	-0.22	2.37
European	5¼	90.57	90.77	96.90	-0.66	0.00
European Income	5¼	87.12	87.14xd	93.02	-0.73	1.40
Exempt	1	750.1	750.1	775.3	-1.1	3.22
Exempt Income	3¼	172.7	172.7xd	182.9	-1.0	4.73
Exempt American	3¼	374.5	374.5	392.4	-2.0	1.45
Exempt Pacific	3¼	260.2	260.2xd	272.4	-2.4	0.00
Extra Income	5¼	42.50	42.50xd	45.36	-0.04	5.60
Far East Emrg Ecns	5¼	62.51	62.79xd	67.25	-0.62	0.00
Fund Inv Tst	5	128.9	134.0	143.0	-0.4	1.30
Fund Inv Tst Acc	5	203.6	211.7	226.0	-0.8	1.30
Gilt & Fixed Int	5¼	26.42	26.82xd	27.95	-0.04	13.64
Intl Income	5¼	62.37	62.37	66.58	-0.20	4.40

[illegible]

Premium Life Unit Tst Mngrs Ltd (1400)F
37 Perrymount Rd, Haywards Heath 0444 458721

Monthly Income	6	45.69	47.40	50.23	-0.08	4.64

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700

Principal Tst	5¼	96.61	98.41	104.70	-0.02	3.50

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Init. Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Touche Remnant Unit Tst Mngt Ltd—Contd.						
TR Income Growth	5¼	86.24	86.24xd	92.38	-0.24	4.77
TR Income Monthly	5¼	51.87	51.87	55.18	-0.10	6.98
TR Japan Growth	5¼	84.29	84.29xd	89.47	-0.49	0
TR Overseas Growth	5¼	66.84	66.84	71.32	-0.50	0
TR Smaller Cos	5¼	77.83	77.83	82.79	+0.37	1.67
TR Special Ops	5¼	84.34	84.34	89.72	-0.05	4.39
TR Mgd Eq Plus Acc	5¼	35.69	35.69	37.95	-0.11	3.03
TR Mgd Eq Plus Inc	5¼	33.47	33.47	35.60	-0.11	3.04
TR Wrldw Sp Sit Acc	5¼	39.01	39.01	41.82	-0.36	0
TR Wrldw Sp Sit Inc	5¼	38.97	38.97	41.78	-0.35	0
TR Pension Portfolio						
TR American Grwth §	6	27.67	28.04	29.72	-0.26	0
TR Eur Sp Sits §	6	35.06	35.53	37.66	-0.41	0
TR General Growth §	6	25.82	26.20	27.66	+0.03	0
TR Global Tech §	6	30.04	30.44	32.27	-0.09	0
TR Income Growth §	6	25.85	26.12	27.68	-0.03	0
TR Japan Growth §	6	26.37	26.60	28.19	-0.26	0
TR Mgd Equity §	6	27.42	27.72	29.38	-0.01	0
TR Overseas Growth §	6	28.68	29.05	30.79	-0.30	0
TR Smaller Cos §	6	18.40	18.59	19.71	+0.06	0
TR Special Ops §	6	17.37	17.56	18.61	-0.01	0
TR Stlg Liquidity §	6	26.71	27.18	28.31	+0.08	0
TR Wrldw Sp Sits §	6	31.70	32.29	34.23	-0.34	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	254.0	254.8	273.4	+0.3	3.36
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	167.0	169.6	180.5	-0.30	3.37
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklersbury, London EC4N 0800 373874						
Austral Value	5¼	41.13	41.13	43.60	+0.38	–
British Lion	5	87.20	87.20	92.45	-0.16	4.11
Accum Units	5	92.15	92.15	97.69	-0.17	4.11
Capital Defender	5	35.62	35.62xd	37.77	+0.30	10.29
Accum Units	5	42.76	42.76	45.34	+0.36	10.29
1992 Europrowth Acc	5	77.48	77.48	82.14	+0.34	1.07
Income	5	77.16	77.16	81.80	-0.15	8.21
Accum Units	5	88.83	88.83	94.17	-0.17	8.21
Smaller Co's	5	71.73	71.73	76.04	-0.11	3.54
Accum Units	5	74.88	74.88	79.38	-0.11	3.54
Tiger Accum H	5¼	72.75	72.75	77.13	-2.07	1.92
UK Unit Trust Managers Ltd (0905)F						
Worthing Road, Horsham, RH12 1SL 0403 40035						
British Growth	5¼	61.51	63.74	67.80	+0.31	2.20
Technical Analysis	5¼	62.66	63.41	67.45	+0.44	1.32

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd—Contd.				
High Inc. Ser. 4	471.8	496.7	+0.6	–
Money Ser. 4	251.7	265.0		–
Intl Ser. 4	113.7	119.7	-0.7	–
Canadian Ser. 4	104.3	109.8	-0.2	–
Pension Funds				
Property	637.3	670.9		–
Equity	1179.0	1241.1	-7.3	–
Selective	382.6	402.8	-1.1	–
Managed	859.2	904.5	-3.6	–
Security	499.2	525.5		–
Fixed Int.	262.2	276.1	+0.3	–
Indexed	158.4	166.8	+0.1	–
American	265.3	279.3	-2.4	–
Japan	318.2	335.0	-2.8	–
European	187.5	197.4	-1.2	–
High Income	132.7	139.7	+0.2	–
Ethical	122.2	128.7	+0.1	–
International	207.8	218.8	+0.1	–
Acuma Life Assurance Ltd				
The Glanty, Egham, Surrey TW2 9AT 0784 475333				
Managed	173.2	182.3		–
World Growth	143.8	151.4		–
UK Equity	201.0	211.5		–
UK Small Companies	174.8	184.0		–
European	153.8	161.8		–
Far Eastern	313.2	329.6		–
Nth American	106.6	112.2		–
Fixed Interest	127.8	134.5		–
Index Linked Stks	143.0	150.5		–
Money	129.2	135.9		–
Pen Managed	221.5	233.2		–
Pen World Growth	158.3	166.6		–
Pen UK Equity	287.5	302.6		–
Pen UK Small Cos	220.8	232.4		–
Pen European	150.4	158.3		–
Pen Far Eastern	464.2	488.6		–
Pen Nth American	108.6	114.3		–
Pen Fixed Interest	156.2	164.4		–
Pen Index Lnkd Stks	153.6	161.6		–
Pen Money	150.1	157.9		–
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD 0800 010575				
Life Funds (Accumulator Units)				
Squirrel	13.89	14.63	+0.01	–

OTHER UK UNIT TRUSTS

INSURANCES

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	Bid Price	Offer Price	+ or −	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	168.9	177.8	—	—
Prop. Acc. (Gross)	289.7	305.0	+0.1	—
Equity (Gross)	808.0	850.5	+2.5	—
Managed (Gross)	564.5	594.3	+0.9	—
Prop. Acc. (Net)	134.9	142.0	+0.1	—
Equity (Net)	186.4	196.2	+0.5	—
Managed (Net)	172.3	181.4	+0.2	—
International (net)	165.2	173.9	−0.3	—
Gilt & Fxd Interest	104.6	110.2	+0.1	—
Money Fund	116.8	123.0	+0.1	—
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	574.5	604.8	+2.8	—
Ret Man (Series 2)	194.8	205.1	+0.9	—
Ret Man (Series 3)	129.9	129.9	+0.6	—
Ret Cash	157.0	165.2	+0.1	—
Ret Cash (Series 3)	130.4	130.4	+0.2	—
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	104.8	110.3	−0.1	—
Managed Balanced	98.0	103.2	−0.1	—
Managed Cautious	94.0	98.9	−0.2	—
Pension Funds				
Managed Aggressive	105.7	111.3	−0.1	—
Managed Balanced	99.5	104.8	−0.1	—
Managed Cautious	94.9	100.0	−0.2	—
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	324.4	341.5	—	—
Man Pens Inc & Cap Fds	433.2	456.1	—	—
Money Fund	131.4	138.4	—	—
Pens Mngd Fd (Init)	115.9	122.0	—	—
Pens Mngd Fd (Acc)	149.5	157.4	—	—
Pens FT30 Fd (Init)	147.0	154.8	—	—
Pens FT30 Fd (Acc)	189.5	199.5	—	—
Pens O'seas Mgf d(Init)	79.1	83.3	—	—
Pens O'seas MgFd(Acc)	102.0	107.4	—	—
Pens Fxd Int Fd (Init)	102.7	108.2	—	—
Pens Fxd Int Fd (Acc)	132.5	139.5	—	—
Pens Deposit Fd (Init)	112.9	118.9	—	—
Pens Deposit Fd (Acc)	145.6	153.3	—	—
Premium Life Assurance Co Ltd				
37–39, Perrymount Road, Haywards Heath 0444 458721				
American	114.0	120.0	−1.0	—
Building Soc. Fd	189.0	199.0	+1.0	—
Balanced	274.0	289.0	−1.0	—
European	201.0	212.0	−3.0	—
GT Managed	190.0	200.0	—	—
Gartmore Mngd	130.0	137.0	−1.0	—
German	175.0	185.0	−1.0	—
Gilt	157.0	166.0	—	—
Global	38.0	40.0	—	—
International Equity	199.0	210.0	−2.0	—
Japan	227.0	239.0	−1.0	—
Leisure	48.0	51.0	—	—
Managed	53.0	56.0	—	—
Property	306.0	323.0	—	—
R. W. Imperial Gold	146.0	154.0	—	—
UK Equity	293.0	309.0	—	—
Pension Funds				
American	157.0	166.0	—	—

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Stonehenge Fund Mngrs Ltd				
Intl Man Fd	$11.03	11.091	.....	–
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£11.12	11.92	.....	–
Pacific Basin Fd	$99.58	105.69	.....	–
Western European	$17.26	18.49	.....	–
The Thai-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV June 29		25 49	.....	–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.26	1.33		–
Hi Yield Bond	61.9	65.1	-0.1	13.30
Internat. Spec Sits	45.9	48.3	.....	–
Marunouchi Fd	89 9	94.5	-0.3	–
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$713.71	.....	–
Fixed Income Shares		$832.91	.....	–
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd	$14 02	14 72	.....	–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth		$12 42	-0.02	–
Yamaichi US Fund		$8.89	-0.03	–
Yamaichi CB Plus Fund		$9 30	-0.01	–
Thai Inv Fund		$13.78	.....	–

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIG Fund Management Ltd "MI Trusts"						
MI Global Dollar	5-		1.02	1 09	.....	–

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)H
Lord Street, Douglas, IoM 0624 662551

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Irish Fund Managers – Contd.				
Do Sterling Expansion		£21 5336	.....	–
Ecu		Ecu13 0518	.....	–
Irish Gilt Fd.		I£191 1324	.....	–
Intl Managed Dollar		$24 0679	.....	–
Intl Managed Bond		I£21 8845	.....	–
Barclays Intl Funds				
Currency Funds				
Sterling		£18.20	+0.02	13.8
US Dollar		$29 12	+0 02	6 9
Deutschemark		DM49 96	+0 02	6 8
Yen		Y3,727	+0002	5 9
Managed Multicurrency	£12 06	12 49	-0.03	–
Managed Multicurrency	$23.79	24 63	+0 01	–
Bond Funds				
Sterling Bond	£0 383	0 398	.....	11 9
US Government Income	$96.15	99.40	+0.02	8 0
Brown Shipley Fund Mgmt (CI) Ltd				
Sterling Bond (Daily)	£8 81	9.11	-0.02	10.98
Sterling Cap (Daily)	£32.15	32.16	+0.03	–
Intl. Bond (Daily)	$15 30	16.32	+0.11	7.90
Int Currency (Wed).	£1.43	1 52	.....	7.89
Cater Allen Investment Management (CI)				
CA Gilt Income	£5 79	7 10	.....	16.90
CA Gilt & Futures	939.00	987.00	.....	8.10
CA Equity Gwth(Z-1)	£4 68	5 08	.....	3 94
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschmark		DM26.937	+0.006	–
Yen		Y2722 586	+0.447	–
Sterling		£10 289	+0 009	–
US Dollar		$16 606	+0 002	–
Managed		$16.203	+0.005	–
Short term Investment Funds				
Irish £ July 5		98 595	+0.156	–
Equity Funds				
Global Equity.		$17 413	+0 024	–
Japan Equity July 5		$11 154	+0.458	–
European Equity July 9		$26 847	+0.285	–
US Em Hlth July 9		$13 365	+0.377	–
US Spec Sits July 9		$15 038	+0 017	–
US Em Tech July 9		$14.713	+0 242	–
Citicare July 9		$25.439	+0.585	–
Bond Funds				
Global Bond.		$13 364	-0 014	–
GNMA Bond July 9.	$12 247	12 261	+0 117	–
HYB (A) July 9.		$77693 258	+416 651	–
EBC Trust Company (Jersey) Ltd				

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley Fund Managers (Jersey) Ltd				
Wardley Japan Trust.	[illegible]			
Wardley Gilt Fund	[illegible]			
Wardley Priv Cap Tst.	[illegible]			
Wardley Int Equity Tst.	[illegible]			
Wardley Bond Tst	[illegible]			
Wardley Funds Limited				
Managed Currency Fd.	[illegible]			
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd	[illegible]			
Excelle Global Eqty $	[illegible]			
Excelle Global Eqty DM	[illegible]			
Excelle Global Fxd Inc DM	[illegible]			

Valued weekly

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund
41 Ave de la Gare, L-1611 Luxembourg

Intl Inc & Gth Fnd; (Sterling Price); Uk Gth Fnd; American Gth Fnd; (Sterling Price); European Gth Fnd; (Sterling Price); Japanese Gth Fnd; (Sterling Price); Pacific Basin Gth Fnd; (Sterling Price); Reserve Fund; Stlg Fixed Interest Fd [illegible]

AEtna Federated Intl Mngrs (Lux) SA
14 Rue Leon Thyes L-2636 Lux
AEtna Federated Intl Umbrella Fund
Growth Funds: American Equity; Asian Equity; Australian Equity; European Equity; Japanese Equity; UK Equity [illegible]

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling rises above $1.80

STERLING MAINTAINED its recent advance yesterday, rising above $1.80 for the first time since January 1989 and threatening an early attack on DM3.00. After the London close the pound gained a further boost when Mr John Major, the UK Chancellor, said that the currency's rise is sustainable and that inflation must come down before interest rates are cut. He was speaking to reporters, while attending a Group of Seven meeting in the US.

News that UK output producer prices rose by a lower than expected 0.2 per cent and that input prices fell by 1.3 per cent were regarded as encouraging news on inflation. This added to the pound's upward momentum, following a UK press report at the weekend that the UK authorities are willing to let sterling rise above DM3.00 before considering a cut in bank base rates. The market believes that Mr Major wants to see the pound high as part of his anti-inflationary policy.

A Treasury spokesman, speaking to Reuters yesterday, refused to be drawn on the direction of interest rates, but said "The Chancellor has said many times that interest rates will remain at whatever level they need to be to fight inflation."

Sterling touched a peak of $1.8120, before easing a little on profit taking, to close at $1.8055, a gain of 1.90 cents on the day. The highest point touched by the pound against the D-Mark was DM2.9850, with the currency closing at DM2.9775, against DM2.9550 on Friday. Sterling also rose to FFr9.9925 from FFr9.9200; to SFr2.5175 from SFr2.5025; and to Y272.75 from Y269.75. According to the Bank of England the pound's index advanced 0.8 to 93.9.

The dollar gained a little ground against the Japanese yen, but was otherwise slightly weaker. There was no fresh economic news, and some analysts believe that the Federal Reserve is now more likely to tighten than ease its monetary stance, although this could be a long way off. This follows Friday's ambiguous data on US employment trends and publication of the May minutes of the Federal Open Market Committee meeting, which stated that some members "preferred a directive that was tilted toward possible tightening" rather than the neutral directive. Dealers suggested that the July FOMC probably maintained this leaning towards an anti-inflationary policy.

At the London close the dollar had climbed to Y151.05 from Y150.95, but had fallen to DM1.6495 from DM1.6540; to FFr5.5350 from FFr5.5525; and to SFr1.3950 from SFr1.4015. On Bank of England figures the dollar's index fell to 65.9 from 66.2.

High yielding currencies were generally firm yesterday, with the Australian dollar rising above 80 US cents, to finish at 80.20 cents in London, compared with 79.75 cents previously, supported by high interest rates and lack of intervention by the Reserve Bank of Australia.

£ IN NEW YORK

July 9	Latest	Previous Close
£ Spot	1.8075-1.8085	1.7860-1.7870
1 month	1.05-1.04pm	0.99-0.98pm
3 months	2.87-2.85pm	2.86-2.86pm
12 months	9.53-9.43pm	9.52-9.42pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

Jul 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D.Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7866	1.7884	1.7842	1.7638
Dec	1.7600	1.7618	1.7590	1.7376
Mar	-	1.7380	-	1.7142

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int
September	90.01	89.97	-0.07	90.04	89.97	10.02	12,155
December	90.02	89.97	-0.05	90.02	89.97	10.03	4,256
March	90.04	89.97	-0.07	90.05	89.97	10.02	1,798
June	89.94	90.08	+0.06	90.09	89.94	9.95	24

Estimated volume 3,247 Total Open Interest 18,233

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
July	2018.0	1994.0	-18.0	2023.0	1994.0	5,574
August	2031.0	2008.0	-15.0	2031.0	2008.0	511
September	2041.0	2041.0	+13.0	2041.0	2041.0	10
December	-	-	-	-	-	-

Estimated volume 3,219 Total Open Interest 6,095

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates easier

THERE WAS a slightly softer tone to interest rates in London yesterday, as the pound remained very firm on the foreign exchanges.

The Bank of England did not provide enough help to take out the full day-to-day credit shortage on the money market however, suggesting that the authorities wish to keep the short end of the market tight to deter speculation about an early reduction in UK bank base rates.

UK clearing bank base lending rate 15 per cent from October 5

Trading in short sterling on Liffe indicated caution. September delivery showed very little change and December stayed the most active month, suggesting that lower base rates are not expected until the last quarter of the year at the earliest. December short sterling opened slightly higher at 86.11, but drifted down to close at 86.05, against 86.09 on Friday.

Three-month sterling interbank eased to 14⅞-14¾ per cent from 15-14⅞ and 12-month money was quoted at 14⅞-14¾ per cent against 14¾-14⅝.

Credit was in more comfortable supply on the money market. The Bank of England initially forecast a shortage of £200m, but revised this to £350m at noon and to £450m in the afternoon.

Total help of £284m was provided. The authorities did not operate in the market before lunch, but in the afternoon bought £19m bank bills in band 1 at 14⅞ per cent. Late assistance of around £265m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £274m, with the unwinding of repurchase agreements of bills absorbing £155m, Exchequer transactions £195m, and bank balances below target £160m. These outweighed a fall in the note circulation adding £575m to liquidity.

In Frankfurt call money remained firm around the 8 per cent Lombard emergency financing rate, despite Friday's move by the Bundesbank to add market liquidity, via 5-day securities repurchase agreements. Dealers said the addition of DM6.6bn before the weekend was insufficient to reduce the pressure on call money.

Credit conditions were also kept tight by a transfer of funds by West German banks into East Germany, where a bank clearing system started operating yesterday. Banks in East Germany will be subject to the Bundesbank's reserve requirements from next month.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 9) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	6.91	Three year	8.45
Broker loan rate	9¾	Two month	7.61	Four year	8.50
Fed.funds	8¼	Three month	8.05	Five year	8.45
Fed.funds at intervention	-	Six month	8.13	Seven year	8.59
		One year	8.19	10-year	8.56
		Two year	8.37	30-year	8.55

July 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.95-8.05	7.90-8.05	7.95-8.10	8.05-8.20	8.30-8.45	8.00
Paris	9⅞-9⅞	9⅞-10	9⅞-10	9⅞-10⅛	10⅛-10⅜	9.50
Zurich	8⅞-8⅝	9-9¼	-	9-9¼	-	-
Amsterdam	7.63-7.75	7.93-8.00	-	8.13-8.23	-	-
Tokyo	7⅛-7⅞	7⅛-7⅛	-	7⅛-7⅛	-	-
Milan	11-11½	10⅞-11⅛	-	11⅛-11⅞	-	-
Brussels	10.25	9⅞-9½	-	9⅞-9½	-	-
Dublin	10⅛-10⅝	10⅞-10⅞	10½-10½	10½-10½	10½-10½	-

LONDON MONEY RATES

Jul 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	15	14⅞	15	14⅞	14¾
Interbank Bid	14⅝	14¾	14⅞	14⅞	14¾	14⅝
Sterling CDs	-	-	14⅞	14⅞	14¾	14⅞
Local Authority Deps.	14⅞	14⅞	14⅞	14⅞	14⅞	14⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14¾	14¾	14½	-	-
Company Deposits	-	-	14⅞	14⅞	14⅞	14⅞
Finance House Deposits	-	-	14⅞	15	14⅞	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅝	14⅝	13⅞	-
Fine Trade Bills (Buy)	-	-	15¼	15	14½	-
Dollar CDs	-	-	8.30	8.30	8.35	8.47
SDR Linked Dep. Offer	-	-	8¼	8⅞	9	9⅛
SDR Linked Dep. Bid	-	-	8⅝	8¾	8⅞	9
ECU Linked Dep. Offer	-	-	9⅞	10¼	10⅞	10⅝
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10⅞	10½

Treasury Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3198 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29 1990. Agreed rates for period July 25,1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1,1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

JUDICIAL NOTICE

Cantonal Court Zug, 3rd Department

By petition of february 6, 1990, Sun International Ltd., Dorchester House, Church Street, P.O. Box 721, Hamilton, Bermuda, represented by Attorneys Dr. Hans-Ulrich Freimuller & Hanspeter Wustiner, Bar & Karrer, Seefeldstr. 19,8024 Zurich filed a Complaint with the Cantonal Court of Zug against Shoshana Schreiber-Fessl, Mordechai Schreiber and Orit Schreiber, all having resided in London, at present whereabouts unknown, with the following Legal Demand:-

"That Defendants should be condemned to pay jointly and severally the sum of Sfr.28,606,894. — together with interest of 5% from May 5, 1983; higher claims reserved. All costs and consequences of indemnity to be imposed on the Defendants."

The Defendants are requested to file their answer to the Complaint in duplicate with the Cantonal Court of Zug within 30 days of the publication of this notice, the answer to the allegations contained in the Complaint, to their own demands including any previous demands as well as to their own evidence. Failure to comply with the mentioned time limit will result in the fixing of a trial date.

Zug, June 27, 1990

For the cantonal Court of Canton Zug 3rd Department

Referent : Dr Meyer

OAKLEY COMPUTER LIMITED

We J M Iredale and V J Vooght of Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG were appointed Joint Administrative Receivers of Oakley Computer Limited Registered Number : 1336450 by Lloyds Bank Plc on 27 June 1990.

J M Iredale
Joint Administrative Receiver

HOLT PROPERTIES (SHREWSBURY) LIMITED

REGISTERED NUMBER: 2275366
Nature of business
Building development
Trade classification: 23
Date of appointment of joint administrative receivers
29 June 1990
Name of person appointing the joint administrative receivers
Nationwide Anglia Building Society
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 249 and 814)
Cork Gully
43 Temple row
Birmingham
B2 5JT

TROPICAL FOODS (LEICESTER) LIMITED

Registered number: 02089697
Nature of business: Cash and Carry
Trade classification 12
Date of appointment of joint administrative receivers: 28 June 1990
Name of person appointing the joint administrative receivers: Barclays Bank Plc.
JOHN FREDERICK POWELL and STEPHAN JONATHAN TAYLOR
Joint Administrative Receivers
(Office holder nos 249 and 7821) of Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA.

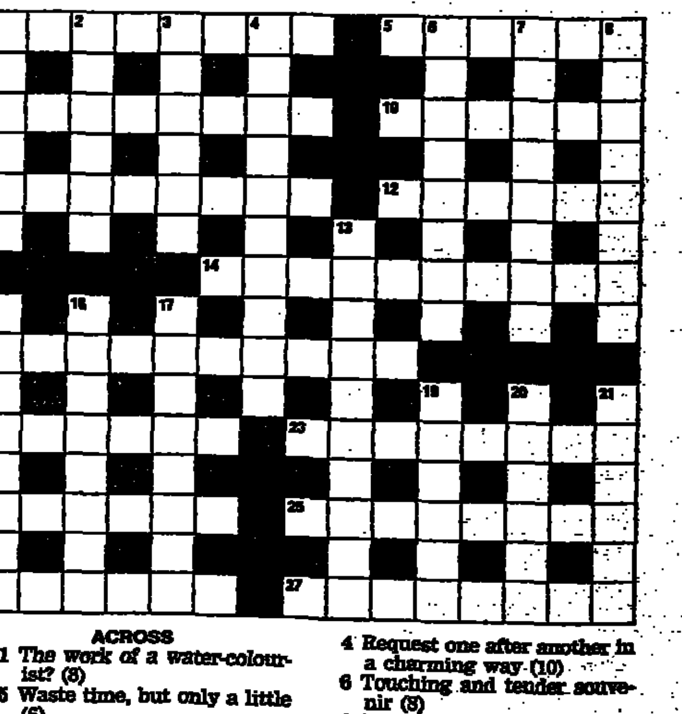
HOLT CONSTRUCTION LIMITED

Registered number: 2180628
Nature of business: Building construction and development
Trade classification: 23, Date of appointment of joint administrative receivers: 29 June 1990
Name of person appointing the joint administrative receivers: Nationwide Anglia Building Society
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 249 and 814) of Cork Gully, 43 Temple Row, Birmingham B2 5JT

JOTTER PAD

CROSSWORD

No.7,285 Set by VIXEN



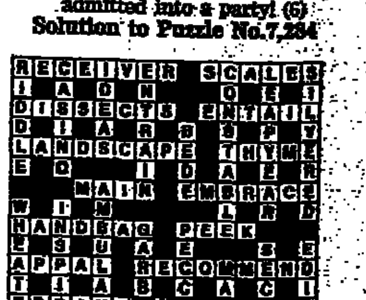
ACROSS

1 The work of a water-colourist? (8)
5 Waste time, but only a little (6)
9 Jersey is of course one of the Channel Islands (8)
10 Order the Spanish and French food (6)
11 A ball-game – note scores made (8)
12 Shut up when taking better half into hotel (6)
14 Tear in nice shreds to burn (10)
18 The manager is against a guy fishing (10)
22 In October one may possibly see "The Fairy King" (6)
23 Like enclosing the writer's attributes (8)
24 No right course for this country (6)
25 Could be a pirate's dependant (8)
26 Tell of a churchman losing his head (6)
27 Housing for adult males in view (8)

DOWN

1 Prudently settle, see? (6)
2 Means business (6)
3 Come into collision with many a woman getting ahead (6)
4 Request one after another in a charming way (10)
6 Touching and tender souvenir (8)
7 Wild about bed-lad getting 5 (8)
8 Stretched out once served (8)
13 A burning issue! (4-6)
15 Only sherry will be offered in a sea-going vessel (8)
16 Basic irregular triangle (8)
17 Having arrived, turn back a worker – so high handed (8)
19 Given credit and still fold (6)
20 Require help (6)
21 Look – coppers being admitted into a party! (6)

Solution to Puzzle No.7,284



WORLD STOCK MARKETS

AUSTRIA — July 9 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG — July 9 — Frs. — + or −

[illegible]

DENMARK — July 9 — Kr — + or −

[illegible]

FINLAND — July 9 — Mks — + or −

[illegible]

FRANCE — July 9 — Frs. — + or −

[illegible]

FRANCE (continued) — July 9 — Frs. — + or −

[illegible]

GERMANY — July 9 — Dm. — + or −

[illegible]

GERMANY (continued) — July 9 — Dm. — + or −

[illegible]

ITALY — July 9 — Lire — + or −

[illegible]

ITALY (continued) — July 9 — Lire — + or −

[illegible]

NETHERLANDS — July 9 — Fls. — + or −

[illegible]

NORWAY — July 9 — Kroner — + or −

[illegible]

SPAIN — July 9 — Pts. — + or −

[illegible]

SWEDEN — July 9 — Kronor — + or −

[illegible]

SWITZERLAND — July 9 — Frs. — + or −

[illegible]

SOUTH AFRICA — July 9 — Rand — + or −

[illegible]

AUSTRALIA — July 9 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — July 9 — Aust.$ — + or −

[illegible]

HONG KONG — July 9 — H.K.$ — + or −

[illegible]

MALAYSIA — July 9 — M.$ — + or −

[illegible]

SINGAPORE — July 9 — S.$ — + or −

[illegible]

JAPAN — July 9 — Yen — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices July 9

Sales — Stock — High — Low — Close — Chng

[illegible]

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices July 9

Sales	Stock	High	Low	Close	Chng
9805	BombrdrA	$19½	19⅜	19½	+ ⅛
34840	BombrdrB	$19⅝	19¼	19½	+ ⅛
25850	Cambior	$12⅛	12	12⅛	
5805	Cascades	$4.00	3.90	3.95	−5
3185	DomTxtA	$10⅞	10¾	10¾	− ⅛
100	Donohue	$11⅝	11⅝	11⅝	− ⅛
1822	Memotec	$08⅞	08⅝	08⅝	
15848	NatBk Cda	$09⅝	09⅜	09½	
28906	Noverco	$15¼	15⅛	15¼	+ ⅛
13725	Power Corp	$15⅜	15¼	15¼	+ ⅛
16920	Provigo	$09	09	09	
12450	Quebecr A	$12	11¾	12	− ¼
32691	Quebecr B	$11⅛	11	11⅛	
2900	Videotron	$13⅜	13¼	13¼	− ⅛

Total Sales 3,344,515 shares.

INDICES

NEW YORK

DOW JONES	July 9	July 6	July 5	July 3	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2914.11	2904.95	2879.21	2911.63	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	90.93	91.04	91.10	91.11	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1149.09	1140.69	1131.02	1140.51	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.11	206.11	206.17	208.94	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2927.97 (2919.80) Low 2890.84 (2867.57)

STANDARD AND POOR'S

	July 9	July 6	July 5	July 3	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.52	358.42	355.68	360.16	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	424.10	422.33	418.90	423.73	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	28.72	28.71	28.51	28.91	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.23	195.78	194.45	196.61	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	358.65	358.87	358.49	360.67	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	461.68	460.53	459.19	461.76	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	July 6	Jun 29	Jun 22	year ago (approx.)
Dow Industrial Div. Yield	3.71	3.74	3.77	3.63

	Jul 4	Jun 27	Jun 20	year ago (approx.)
S & P Industrial div. yield	2.92	2.97	2.93	3.09
S & P Indl. P/E ratio	17.00	16.70	16.87	12.97

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Philip Morris	2,818,400	48⅞	− ⅛
Wal-Mart	2,716,700	32¼	+ 1½
TCBY Ent.	1,886,700	15½	− 1⅜
Fst.Interste.	1,797,700	1⅛	—
AT & T	1,513,900	38¼	+ ⅛
Panhandle	1,374,500	18¾	− ⅛
Gen. Electric	1,160,900	71⅛	+ ⅛
P.Sv.Colorado	1,123,800	20¾	− ⅛
Oak Inds.	1,054,700	1⅛	—
Glaxo Hldgs.	1,040,300	30⅝	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	July 9	July 6	July 5
New York	119.390	111.730	128.320
Amex	11.057	7.324	7.865
NASDAQ	(u)	101.399	97.761
Issues Traded	1,972	1,944	1,946
Rises	755	851	403
Falls	668	540	1,063
Unchanged	549	553	480
New Highs	65	42	32
New Lows	40	45	52

CANADA

TORONTO	July 9	July 6	July 5	July 4	1990 HIGH	1990 LOW
Metals & Minerals	3234.20	3271.00	3257.40	3296.80	3453.05 (4/1)	2850.80 (23/4)
Composite	3540.64	3549.80	3551.30	3575.30	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1833.65	1840.71	1836.79	1852.48	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 9	July 6	July 5	July 4	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1586.9	1554.2	1557.7	1541.1	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	754.5	737.1	741.9	734.7	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	629.77	621.24	621.82	618.99	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6244.17	6245.14	6240.26	6274.42	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	377.98	378.20	379.66	379.82	382.50 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	538.6	539.8	540.3	537.8	677.3 (23/1)	537.0 (4/7)
FRANCE						
CAC General (31/12/82)	535.77	533.98	538.33	543.07	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	1990.17	2001.90	1999.98	2015.93	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	816.23	814.22	814.26	814.26	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2360.4	2364.2	2354.3	2355.2	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1923.86	1932.80	1914.18	1925.13	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3385.15	3357.61	3356.44	3363.49	3385.15 (9/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1680.89	1678.85	1684.48	1689.21	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	729.88	729.49	738.63	736.94	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32538.28	32445.12	32351.67	32445.92	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2362.41	2364.20	2362.04	2363.35	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4397.72	4323.03	4253.80	4222.84	4323.03 (6/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	592.18	593.86	592.98	586.39	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tfl.Rtn.Gen.(End 1983)	264.1	264.1	263.6	265.3	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	196.7	196.7	196.4	197.6	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	833.75	830.87	832.25	827.07	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	884.79	873.67	870.48	837.82	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	433.70	434.47	435.02	434.03	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1525.0§	1538.0	1537.0	1567.0	2290.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2956.0§	2970.0	2977.0	2984.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	715.28	716.17	723.10	736.30	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	300.84	298.23	299.12	300.10	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1325.8	1325.0	1329.9	1328.2	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	843.0	842.3	836.8	844.2	844.2 (4/7)	737.6 (27/3)
TAIWAN **						
Weighted Price (30/6/66)	4986.40	4693.20	4524.55	4677.18	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	(c)	1050.13	1070.18	1087.51	1087.53 (3/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	524.4	523.3	527.6	571.0 (4/1)	468.3 (2/4)

**Saturday July 7: Taiwan Weighted Price: 4905.83, Korea Comp Ex. 713.41

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday July 9 1990

	Stocks Traded	Closing Prices	Change on day
Canon	11m	1,910	+10
Mitsui M&Smltng	7.7m	810	-15
Fuji Film	5.8m	4,730	+40
Matsushita	4.8m	2,180	+30
MHI	4.7m	985	-14
Shinetsu Chml	4.1m	1,910	+40
Tokyo Electron	4m	4,830	+70
Nippon Steel	4m	559	-2
Tokyo Steel	3.9m	4,790	unc
Honshu Paper	3.7m	2,940	+80

4pm prices July 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
62	54½	PSEG pf6.20		9.3		z1810	56⅞	57	57	−1
2⅞	1¼	Publick			5	27	1½	1⅞	1½	− ⅛
22½	19⅝	PugetP	1.76	8.6	11	253	20⅝	20¼	20⅝	
12⅛	9	PDPI n	1.23	13.		454	9¾	9⅝	9¾	+ ⅛
12⅞	10¾	PDIF n	1.38	13.		84	11	10¾	10¾	− ⅛
7⅞	6⅛	PHIGB	.85	13.		336	6½	6⅜	6½	+ ⅛
10⅛	9	PHYM	.81	8.4		305	9⅝	9⅜	9⅝	+ ⅛
9½	7⅞	PIGIT	.96	11.		1376	8½	8⅜	8½	+ ⅛
12⅛	10⅝	PIGM n	.89	8.0		216	11⅛	10⅞	11⅛	+ ⅛
10¼	9⅞	PMrsl	.78	8.2		701	9⅝	9½	9½	− ⅛
99¾	6⅝	PMOT	.87	13.		903	7	6⅞	6⅞	− ⅛
8⅝	6⅞	PMIT	.93	13.		869	7⅜	7¼	7⅜	+ ⅛
9⅝	6⅝	PPrIT	.93	13.		3277	7¼	7	7⅛	+ ⅛
21¼	8¼	QMS			18	897	18½	17⅞	18	
15-16	5-32	Qantel				61	9-32	¼	¼	
55⅞	45⅝	QuakrO	1.40	2.9	19	1124	48¾	47⅞	48¾	+ ⅜
17	11¼	QuakSC	.80	6.9	22	2741	11⅝	11½	11⅝	
18½	11½	Quanex	.40	2.3	10	485	17½	17⅛	17⅛	− ½
31	22⅝	Quanx pf2.20		8.0		28	28⅝	28⅜	28⅝	
48¼	15¾	Quantm	.44t	3.1	2	3285	15¾	d14¼	14⅛	−1
13⅝	12	QstM	1.20a	8.8		121	13⅝	13½	13⅝	+ ⅛
14⅝	11½	QstVC				485	13¾	13½	13¾	+ ⅛
39⅞	33⅞	Questar	1.92	5.7	13	311	34	d33½	33¾	− ¼
18¼	11⅞	QkReily	.28a	1.9	12	24	14⅝	14⅛	14⅝	
		− R−R−R −								
11⅝	9⅞	RAC In	1.26	12.		x383	10⅞	10⅝	10¾	+ ⅛
4⅞	2	RAC	.45e	11.	9	75	4¼	4⅛	4¼	
7¾	6½	RJR Nb wt				489	6⅞	6¾	6⅞	
14⅛	6⅞	RLI Cp	.40	3.0	8	12	13⅝	13⅝	13⅝	
13	10½	RMI Ti n.03e		.3		11	11⅛	11⅛	11⅛	+ ⅛
17⅝	9¼	ROC Fd.38e		3.6		477	10⅝	10½	10⅝	
9	6¼	RPC			20	4	6¼	6¼	6¼	
6¼	5⅛	RPS	.32e	14.	7	108	5⅞	5⅛	5⅛	
40⅞	38⅝	RTZ n				40	39¼	39⅛	39¼	+ ⅛
70⅞	49¼	Racal	.58e	.9	33	663	65⅞	65¼	65¼	− ⅜
101½	77⅞	RalsPur	1.85	2.0	17	853	94⅝	92½	94⅝	+1⅞
8⅞	5⅛	RangrO	.06e	1.0	20	216	6⅛	6	6	
39¾	25¾	Raycm	.32	.9	216	597	34⅝	33¾	34½	+ ⅜
22⅝	15	RJamF	.24	1.3	7	849	18⅝	18⅜	18⅝	− ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	7⅞	ZenithE				285	8⅛	8	8	
21½	13½	ZeniNl	.88	5.9	9	22	15	15	15	− ⅛
9⅞	5⅞	Zenix	.90	15.		465	6¼	6	6⅛	+ ⅛
18½	12⅞	Zero s	.40	2.8	14	257	14⅛	14	14⅛	+ ⅛
50¼	34⅝	Zurnin	.76	1.5	22	345	50	49⅞	50	+ ⅜
12⅞	10⅝	Zweig	1.21e	11.		226	11⅜	11¼	11⅜	+ ⅛
10	9	ZweigTl	.96	10.		1005	9¼	9⅛	9¼	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months.plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices July 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PrcCom			57	3⅞	3⅞	3⅞	
Prism		10	11	3¼	3¼	3¼	
ProMed	.42s	9	70	5	5	5	
ProlCre		15	13	5¼	5⅛	5¼	+ ⅛
			− R−R −				

NASDAQ NATIONAL MARKET

3pm prices July 9

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WmSon s		28	17	25⅛	24⅛	24⅛	
WilmTr	1.44	12	39	41	40½	41	
WiserO	.40	24	216	18⅛	18	18	
Wolohn	.28b	10	3	18	18	18	
WrvExp			406	7½	7⅜	7⅜	− ⅛
Wolv wt			68	3⅛	3⅛	3⅛	
Worthg	.60	17	68	24	23⅝	23⅝	− ⅛
Wyman	.80		368	14	13½	13¾	+ ¼
			−X−Y−Z−				
XL Dta		9	545	15⅛	14⅞	15⅛	+ ½
XOMA			1580	21⅝	21⅛	21½	
Xicor			289	3	2⅞	2⅞	−1-16
YenEnS	1.52e	12	7	19½	19	19½	+ ½
YelowF	.76	48	609	27⅞	27⅝	27⅞	+ ⅛
YorkRs		24	958	15⅞	15⅛	15⅞	+ ½
ZionUt	1.44	9	45	28¾	27½	28	−1

AMERICA

High-tech stocks rise as tobacco issues fall

Wall Street

A DULL session on Wall Street yesterday saw equities move in a narrowly mixed range in thin trading, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average was up 9.16 at 2,914.11 on light volume of 119.4m shares on the New York Stock Exchange. On Friday, the Dow closed at 2,904.95, up 25.74.

Advancing issues yesterday had a slight edge over declines, 752 to 667.

Among broader market indices, the Standard & Poor's 500 was up 1.10 at 359.52, while the New York Stock Exchange Composite rose 0.45 to 196.23.

The market was bolstered by buying interest in technology stocks and some futures-related programme trading, but there was no real conviction behind the movement of equities, and trading was cautious ahead of next week's flurry of corporate quarterly results. IBM added $1 to $119, Compaq Computer rose $3 to $64⅝ and Hewlett Packard gained $⅝ to $47⅝.

Digital Equipment improved by $1½ to $84⅞ on expectations that the company would introduce a new generation of its Microvax computer line in the afternoon.

The mixed tone of the market was reflected in blue chip issues. Coca-Cola slid $⅜ to $44⅝ and Johnson and Johnson lost $⅛ to $68⅜, while AT&T rose $⅛ to $38⅛, Merck added $⅛ to $86½, General Motors gained $1¼ to $49⅛ and Woolworth added $⅝ to $34⅜.

A number of tobacco issues moved lower after a report said that cigarette companies would be hit by growing anti-smoking sentiment and increases in taxes on cigarettes. Philip Morris fell $⅞ to $48⅜, Loews lost $1⅜ to $111⅛ and Liggett Group dropped $⅛ to $12⅝.

UAL, the parent of United Airlines, advanced $4¾ to $157⅝ on reports that banks had agreed to lead the labour group's efforts to gain financing for its buy-out offer.

Among other airline issues, AMR, parent of American Airlines, gained $⅞ to $62⅛, Delta Air Lines rose $⅝ to $71⅛ and Pan Am was unchanged at $2⅛.

Maytag improved $⅛ to $17⅝ amid rumours that the UK's Hanson might be considering making a bid.

Panhandle Eastern fell $⅝ to $18⅜ in spite of being put on S&P's creditwatch for a possible upgrade in its debt rating. The company has said that it will review its dividend policy at its board meeting on July 25, and there are fears that it would reduce its dividend.

TCBY dropped $1½ to $15⅛ in heavy trading after an analyst at Shearson Lehman downgraded the stock's rating and earnings estimates for the company, which operates a frozen yoghurt chain.

Wal-Mart gained $1⅛ to $32⅜ in anticipation of improved sales for June, which will be reported on Thursday. The company said yesterday that it had agreed to buy some operations from Western Merchandisers in a stock swap valued at $28m.

In over-the-counter trading, Nike jumped $7⅛ to $87⅛ in active trading after the company reported stronger-than-expected fourth quarter earnings of $1.77 a share.

MCI Communications fell $⅜ to $40⅞. MCI's merger partner, Telecom-USA, sold Southland Telephone to Rochester Telephone for $37.1m in cash.

Canada

SHARE prices in Toronto moved in a narrow range, closing slightly lower in slow trading. The composite index lost 9.13 to 3,540.64 as declines led advances 311 to 235 on a volume of 15.7m shares.

Gold stocks fell 1.9 per cent as gold in New York dropped $2.70 to $357.75 an ounce. Among gold producers, American Barrick fell C$⅞ to C$21⅞, Placer Dome was off C$⅛ to C$18½ and Echo Bay fell C$⅛ to C$14⅝.

EUROPE

Peugeot forecast depresses French bourse

INDIVIDUAL stocks were in the spotlight on many Continental bourses yesterday, with Peugeot upsetting Paris and Barco taking a tumble in Brussels, *writes Our Markets Staff.*

PARIS found its confidence draining away after further bad news from Peugeot. The CAC 40 index dropped 11.73 to 1,990.17 in turnover estimated at FFr2bn or less.

Peugeot lost FFr32 to FFr732 in active trading, with 180,800 shares changing hands. Mr Jacques Calvet, chairman, said that 1990 profits would be flat or slightly down. Peugeot has lost 11.8 per cent in six sessions this month.

Trading was suspended in Dumez, the building group, and Lyonnaise des Eaux, the water company, amid speculation that they would announce a link-up. On Friday, Dumez gained FFr25 to FFr641, while Lyonnaise des Eaux added FFr2 to FFr702.

Casino, the retailer, jumped FFr7.60, or 6 per cent, to FFr133.10 after an analysts' meeting on Friday at which it predicted a big improvement in earnings next year.

BRUSSELS saw Barco, the projection and graphic design systems manufacturer, fall BFr115, or 5.2 per cent, to BFr2,085 in heavy trading of 32,700 shares. Ms Alison Kirk of Carnegie International has been advising investors to sell the stock, which has performed very strongly over the last 12 months, as market expectations of 25 per cent annual growth appear over-optimistic. Barco's niche market status is being threatened by Sony, which is muscling in with aggressive pricing, she added.

The Brussels cash market index eased 0.97 to 6,244.17.

FRANKFURT tried to extend last week's rally, but a modest rise at the outset, reflected in the FAZ index ending 2.01 higher at 816.23 in midsession, was replaced by a final 8.94 fall to 1,923.86 in the DAX.

Foreign investors who were expected to support the market simply did not arrive. Volume fell from DM7.5bn to DM6.6bn and profit-taking was seen in banks and chemicals after their recent improvement.

AMB, the insurer, which rose DM102 to DM987 last week on the strength of its underlying assets, dropped DM42 to DM945. BfG, the troubled bank in which AMB owns a 50 per cent stake, said last Friday that it was planning to shed over a third of its workforce; at the weekend it said that it was reconsidering the extent of the job losses; BGAG, the trade union holding company, owns a 49.5 per cent stake in BfG.

Some stocks outperformed their sectors, like Porsche in carmakers which rose DM20 to DM1,280, and Douglas in retailing which put on DM5.50 to DM929.50. But analysts said this was more by accident than by design: "Generally, the whole market is bought, or nothing is bought," said Matthias Welticke at Merck Finck in Düsseldorf; "on a day like yesterday, many prices are made by chance."

MILAN cautiously welcomed Friday's compromise agreement on wages between unions and employers which averted a general strike set for tomorrow. The Comit index rose 0.39 to 729.88 although volume shrank as the end of the account neared.

Fiat, under pressure last week following bearish comments from its chairman about 1990 earnings, led the recovery in industrial stocks to close L15 up at L9,610. But it sank to L9,545 after hours on the news that its share of the domestic car market had fallen to 52.6 per cent in June from 58.2 per cent in June 1989.

The banking sector continued to show gains. Banco di Napoli, earmarked by Mr Lorenzo Colucci of Smith New Court as one of the main beneficiaries of the Amato banking bill, saw its savings shares add L100 to L18,910. Mr Colucci said that Banco di Napoli presented a classic restructuring play, since a fresh injection of capital from the Italian Treasury would strengthen its capital ratios and enhance its profitability. Its strong deposit base in southern Italy also made it an attractive merger candidate for a north Italian or foreign bank.

AMSTERDAM closed mixed in uneventful trading. The CBS tendency index eased 0.2 to 119.7. Philips skidded on growing fears that it would not pay a dividend on 1990 results. The stock hit a low of Fl 29.40 before closing down 80 cents at Fl 29.70. At the recent annual meeting, Mr Jan Timmer, the new chairman of Philips, would not commit himself on whether or not Philips would pay a dividend this year.

MADRID crossed back over the 300 barrier after its recent, gentle profit-taking. Banks led the gains. Optimism about the low June inflation figure, due to be announced on Thursday, helped to support prices, and the general index gained 2.61 to 300.84. Although overall volumes were low, trading in bank stocks was active, with Banesto Pta145 higher at Pta4,280 and BBV up Pta75 at Pta3,530.

ZURICH saw the Crédit Suisse index rise 2.6 to 678.9, with buyers for banks and insurers on expectations that interest rates will come down later this year. Union Bank bearers rose SFr40 to SFr3,770 and Zurich Insurance SFr40 to SFr4,900. Chemicals finished weaker with Ciba-Geigy dipping SFr60 to SFr3,470.

STOCKHOLM had few big movers, as the Affärsvärlden General index added 0.8 to 1,325.8 in quiet trading worth SKr146m. Asea restricted A shares rose SKr12 to SKr842 after the news that ABB Asea Brown Boveri was setting up joint ventures with about 20 East German enterprises. Volvo free Bs gained SKr7 to SKr369.

VIENNA attracted foreigners' attention, which helped the bourse index rise 7.79, or 1.2 per cent, to 678.31. Among the winners, Constantia, the holding company, added Sch79 to Sch1,750.

SOUTH AFRICA

JOHANNESBURG ended easier yesterday in aimless trading. The JSE all-gold index slipped 13 to 1,525 and the overall index fell 17 to 3,078. Vaal Reefs lost R3.50 to R292 and De Beers ended 40 cents lower at R93.10.

ASIA PACIFIC

Highs for second section and individual companies

Tokyo

INDEX-LINKED arbitrage buying, backed by individual small-lot investors, lifted share prices slightly yesterday. Several issues hit record levels, but trading was generally thin, *writes Martina Gannon in Tokyo.*

The Nikkei average ended at 32,538.28, up 98.16, after a high of 32,608.71 and a low of 32,417.96. Declines outpaced advances by 476 to 469, with 178 unchanged. Volume fell from 450m to 400m shares.

Variations at individual share price level were also apparent among the indices. The Topix index of all first-section stocks eased 1.79 to 2,362.41, while the second section index continued its recent advance, rising 74.69 to another record of 4,397.72. In London, the ISE/Nikkei 50 index rose 1.62 to 1,765.32.

The Nikkei's gain in Tokyo was spurred by index-linked trading between the cash and futures markets. Issues selected by arbitrageurs included those in the electrical and high-technology sectors, while individual investors selected small and medium-sized stocks which have performed well recently.

Nikon closed at Y1,750, up Y40, surpassing its all-time high of Y1,740 recorded last month. The company's pre-tax profits are not expected to grow by more than 1 per cent in the current year but investors were encouraged by its strength in the advancing semiconductor market.

Canon was among other blue chip stocks which drew the attention of arbitrageurs. The most heavily traded issue in the morning session, it rose Y10 to Y1,910 on buying by investment trust banks and foreign investors. Fuji Film was also popular, advancing Y40 to close at Y4,730 after rising by Y110 at one stage.

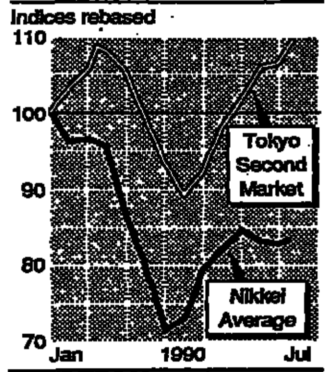
Bandai, the toy company which holds exclusive marketing rights in Europe for the popular Ninja Turtles video game, was bought for its long term prospects. It gained Y340 to an all-time high of Y8,140 in the morning and closed Y70 higher at Y7,967. Nintendo, another toy company and a leader in the video game market, lost Y100 to Y26,500.

Daikyo, the home builder which broke a three-month moratorium on new warrant issues last week, rose Y100 to Y4,150. Smaller companies fared well, including Stanley Electric which advanced Y40 to Y1,260. Honshu Paper was bought on speculation in spite of a p/e ratio of 360, and an expected 21 per cent decline in pre-tax profits in the year to March 1991. It gained Y80 to Y2,940.

High-tech issues were sought out early in the day but later became mixed. TDK rose Y30 to Y7,360 and Sony went up Y10 to Y8,810. Kyocera fell Y70 to Y8,900. Other losers included Hitachi, which shed Y10 to Y1,510, and Toshiba, which lost Y10 to Y1,070.

In Osaka, investors generally remained inactive, wary of the declines in the yen and in bond prices. There was light buying of smaller special situations, and major shipbuildings and trading houses advanced. The OSE average edged up 69.45 to 35,966.57 and volume fell to 48m shares from Friday's 65m.

Japan



Roundup

MOST Pacific Rim markets made healthy rises, with Australia building on last week's strength. Bangkok was shut for a holiday.

AUSTRALIA advanced on institutional and foreign demand, with the All Ordinaries index gaining 32.7 to 1,586.9. Volume was moderate: 117m shares were traded at A$288m, compared with Friday's 99m and A$217m.

Among active stocks, BHP climbed 39 cents to A$10.35 on 3.2m shares traded. Australia's biggest company said that it had sold a 4 per cent stake in Sarich Technologies, the engine developer, but would keep its remaining 28 per cent. Sarich gained 7 cents to A$2.25 on turnover of 11.07m shares.

Barrack Mines, which fell sharply last week, rose 10 cents to 17 cents on volume of 6.81m shares.

NEW ZEALAND was encouraged by the rise in Australia, and the Barclays index closed 12.74 higher at 1,812.98 after a subdued opening. *Turnover* was dominated by stocks listed in Wellington and Sydney. Turnover was NZ$26.2m, similar to Friday's NZ$26.7m.

HONG KONG rose to another post-1987 crash high in moderately active trade. The Hang Seng index gained 27.54 to 3,385.15 with HK$1.85bn worth of shares exchanged, after Friday's HK$1.82bn.

Ming Ren Investment and Enterprises was the most active issue, rising 20 cents to HK$5.60 on speculation of a further capital injection from its Taiwanese owners and on rumours that it is seeking to take over Evergo at HK$5 a share. Trading in shares of Evergo International Holdings and its affiliates, China Entertainment, Chinese Estates and Paul Y, was suspended at the companies' request before an announcement due today.

Cheung Kong (Holdings) gained 20 cents to HK$13.40 and its affiliate, Hutchison Whampoa, rose 20 cents to HK$12.60. At the weekend, Cheung Kong announced the sale of its 4.8 per cent stake in Cable and Wireless of the UK for £264m (HK$3.7bn).

MANILA was spurred into action by the listing of 163.4m new Philex Mining shares, representing the 15 per cent stock dividend announced in March. Philex rose 0.02 pesos to 0.175 pesos. The composite index rose 11.12, or 1.3 per cent, to 884.79 in overall turnover of 121m pesos, up from Friday's 63m pesos. **TAIWAN** was lifted by a strong industrial sector, after falling in early trade. The weighted index rose 80.57, or 1.6 per cent, from Saturday's close to 4,986.40.

Italy suffers after Fiat forecasts

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1990	% change sterling † Start of 1990	% change in US $ † Start of 1990
Austria	+1.06	+3.58	+81.58	+39.98	+29.17	+43.11
Belgium	−0.26	−3.05	−1.67	−6.56	−11.56	−2.02
Denmark	+0.70	+0.34	+6.08	+3.19	−2.57	+7.95
Finland	−0.26	−3.06	−13.70	−2.21	−7.72	+2.24
France	−1.88	−2.33	+11.67	−2.31	−8.13	+1.78
W. Germany	+2.72	+5.41	+29.29	+9.21	+0.81	+11.69
Ireland	−0.62	−1.24	+18.70	−0.02	−5.75	+4.41
Italy	−4.04	−4.74	+4.93	+1.66	−4.08	+6.28
Netherlands	−1.06	−0.95	+0.89	−4.36	−11.45	−1.90
Norway	−0.16	−2.79	+16.09	+14.11	+7.06	+18.61
Spain	−0.69	+5.54	−2.15	−1.27	−3.80	+6.57
Sweden	+1.93	+4.63	+23.96	+16.25	+8.47	+20.18
Switzerland	+1.89	+2.78	+10.97	+4.48	+3.78	+14.98
UK	−1.56	−1.16	+4.50	−3.81	−3.81	+6.57
EUROPE	−0.56	+0.13	+9.51	−0.12	−3.50	+6.92
Australia	+3.68	+3.93	+5.90	−3.30	−11.88	−2.38
Hong Kong	+2.94	+6.36	+41.71	+18.91	+7.69	+19.31
Japan	+0.79	−2.84	−10.43	−20.39	−31.55	−24.16
Malaysia	+2.01	+0.01	+26.22	+2.80	−7.46	+2.52
New Zealand	+1.42	+1.18	−2.46	−7.84	−17.28	−8.36
Singapore	+0.49	−3.61	+16.66	+10.03	+3.12	+14.24
Canada	−0.04	−1.01	−5.46	−9.05	−18.22	−9.40
USA	+0.16	−0.15	+9.46	+1.30	−8.57	+1.30
Mexico	−0.11	−7.92	+117.77	+61.86	+37.14	+51.94
South Africa	+0.81	−0.72	+17.60	+3.57	−17.77	−8.89
WORLD INDEX	+0.27	−0.95	+1.53	−7.88	−17.13	−18.15

† Based on July 6th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

By Antonia Sharpe

ITALY and Australia made the most notable moves among markets covered by the FT-Actuaries World indices last week; the onset of the summer holidays left the world leaders little changed.

The Italian borsa fell 4 per cent in local currency terms, mainly because of cautious comments by Mr Giovanni Agnelli, the chairman of Fiat, about the carmaker's 1990 earnings, although cynics say that his forecasts are probably conditioned by the ongoing wage talks between industry employers and unions.

In addition, a withdrawal by *foreign investors* wrong-footed domestic players who had taken out long positions at the start of the account, says Mr Enrico Ponzone of Kleinwort Benson Securities.

Fears of industrial action in Italy have depressed sentiment recently. As a result the market has largely ignored good news such as the mutual funds data for June which showed the best overall inflow of funds for three years, and progress in the Amato banking bill towards becoming law.

The borsa is likely to be dominated by end-account technicalities this week, after which a small upward correction can be expected, says Mr Ponzone. He adds that the market index is unlikely to rise much in the coming months, although hopes of lower interest rates could lead to outperformance in the banking sector.

The Australian stock market received a welcome boost from domestic institutions as they reassessed their portfolios at the start of the new fiscal year on July 1. "Domestic institutions are underweight in equities historically, so given the underperformance of the market they have opened their purses a little," says Mr Ron Porter of JB Were.

But a sustained rally is unlikely, he adds. The collapse of the entrepreneurial sector, as well as fears of an economic recession and disappointing full-year corporate results, prey on investors' minds. Furthermore, recent strength could tempt companies to tap the market for fresh funds.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 9 1990 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 6 1990 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (80)	151.65	+2.6	124.53	144.79	130.05	125.78	+2.1	5.54	147.78	122.64	141.01	127.08	123.21	158.31	125.85	134.36
Austria (19)	264.09	+1.3	216.86	252.16	226.48	225.87	+0.9	1.28	260.74	216.38	248.80	224.22	223.67	285.63	193.15	127.70
Belgium (61)	151.97	+0.3	124.79	145.09	130.32	127.04	+0.1	4.56	151.56	125.77	144.59	130.31	126.88	160.02	132.11	134.80
Canada (119)	137.88	+0.0	113.22	131.64	118.23	115.72	−0.3	3.50	137.87	114.42	131.55	118.55	116.11	153.61	130.37	142.77
Denmark (33)	261.91	+0.2	215.07	250.08	224.60	223.35	−0.2	1.29	261.47	216.99	249.49	224.84	223.69	262.92	236.69	216.70
Finland (26)	135.60	−0.5	111.34	129.47	116.28	109.57	−0.9	2.50	136.29	113.10	130.05	117.20	110.59	152.29	129.99	145.03
France (124)	158.68	−0.1	130.30	151.50	136.07	137.77	−0.4	2.97	158.80	131.79	151.52	136.55	138.32	168.85	141.69	125.43
West Germany (92)	138.82	+0.5	113.99	132.56	119.04	119.04	+0.2	1.88	138.18	114.67	131.86	118.82	118.82	138.82	122.05	95.32
Hong Kong (46)	140.90	+0.8	115.70	134.53	120.84	140.60	+0.7	4.45	139.75	115.98	133.35	120.18	139.56	140.90	112.24	100.47
Ireland (17)	190.57	+0.5	156.49	181.96	163.43	164.94	+0.2	2.66	189.55	157.31	180.87	163.00	164.62	198.57	172.72	141.53
Italy (96)	105.27	+0.6	86.44	100.50	90.27	95.01	+0.2	2.47	104.61	86.81	99.81	89.95	94.78	109.26	91.85	90.47
Japan (454)	149.43	−0.2	122.71	142.68	128.17	142.68	−0.1	0.59	149.71	124.24	142.85	128.75	142.85	197.26	124.40	181.34
Malaysia (35)	235.45	+0.3	193.34	224.80	201.91	245.24	+0.2	2.21	234.81	194.87	224.04	201.91	244.71	245.32	204.15	189.45
Mexico (13)	503.14	+1.7	413.15	480.40	431.48	1576.05	+1.7	0.33	494.53	410.40	471.87	425.25	1549.34	549.86	324.53	270.87
Netherland (43)	141.55	+0.3	116.24	135.16	121.40	120.01	+0.0	4.70	141.18	117.15	134.69	121.38	120.03	145.66	130.43	124.06
New Zealand (17)	66.70	+1.0	54.77	63.69	57.21	59.66	+0.8	7.33	66.06	54.83	63.04	56.81	59.39	75.36	59.57	67.03
Norway (23)	238.36	+0.6	195.73	227.59	204.41	204.47	+0.2	1.55	237.04	196.72	226.18	203.84	204.14	245.90	202.34	189.91
Singapore (25)	203.22	+0.4	166.87	194.04	174.27	170.58	−0.1	2.04	202.45	168.01	193.18	174.09	170.73	207.93	179.70	163.77
South Africa (60)	178.25	−0.4	146.37	170.19	152.85	156.47	−0.7	3.80	179.06	148.58	170.84	153.96	157.50	251.39	170.00	152.60
Spain (42)	176.26	+1.4	144.74	168.30	151.16	134.80	+1.0	4.06	173.80	144.24	165.84	149.45	133.45	176.26	132.84	154.38
Sweden (34)	231.75	+0.4	190.30	221.28	198.75	204.56	+0.0	1.98	230.80	191.54	220.23	198.47	204.66	232.74	173.89	175.09
Switzerland (67)	108.90	+0.7	89.42	103.99	93.40	94.18	+0.2	2.19	108.16	89.76	103.21	93.02	93.98	108.90	88.75	85.77
United Kingdom (304)	170.65	+0.9	140.13	162.92	146.33	140.13	−0.2	4.86	169.12	140.35	161.35	145.41	140.35	170.79	139.87	149.18
USA (539)	145.35	+0.3	119.35	138.78	124.65	145.35	+0.3	3.35	144.91	120.26	138.28	124.62	144.91	148.55	130.61	133.25
Europe (981)	153.17	+0.6	125.78	146.25	131.36	128.50	+0.0	3.57	152.23	126.33	145.26	130.91	128.50	153.43	135.57	125.48
Nordic (116)	214.17	+0.3	175.86	204.49	183.66	178.32	−0.1	1.70	213.54	177.21	203.76	183.63	178.50	214.73	185.01	172.37
Pacific Basin (659)	149.07	+0.0	122.41	142.34	127.84	141.68	+0.0	0.91	149.14	123.77	142.31	128.25	141.69	192.75	124.63	176.53
Euro−Pacific (1640)	151.14	+0.2	124.11	144.30	129.61	136.92	+0.0	2.01	150.80	125.14	143.88	129.66	136.93	174.18	130.35	156.22
North America (658)	144.80	+0.3	118.90	138.27	124.19	143.38	+0.3	3.38	144.39	119.83	137.79	124.18	143.00	147.67	131.02	133.72
Europe Ex. UK (677)	141.14	+0.4	115.89	134.78	121.06	121.11	+0.1	2.73	140.53	116.62	134.11	120.87	120.98	141.78	124.81	110.42
Pacific Ex. Japan (205)	143.93	+1.7	118.19	137.44	123.44	126.63	+1.3	4.85	141.56	117.48	135.10	121.74	124.97	143.93	122.53	118.96
World Ex. US (1832)	151.16	+0.2	124.13	144.34	129.64	136.77	+0.0	2.07	150.84	125.18	143.94	129.71	136.80	173.77	131.30	155.78
World Ex. UK (2067)	145.76	+0.2	119.69	139.18	125.01	139.45	+0.1	2.24	145.51	120.75	138.85	125.14	139.29	162.00	130.80	146.47
World Ex. So. Af. (2311)	147.78	+0.2	121.35	141.11	126.74	139.35	+0.1	2.50	147.41	122.33	140.67	126.77	139.22	161.84	131.95	146.66
World Ex. Japan (1917)	148.67	+0.5	122.08	141.97	127.52	138.00	+0.2	3.50	147.98	122.81	141.21	127.27	137.73	148.81	134.62	130.34
The World Index (2371)	147.96	+0.2	121.50	141.28	126.90	139.47	+0.1	2.51	147.60	122.49	140.84	126.93	139.34	162.05	132.25	146.69